



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 18, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Trace Local School District, Paulding County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended June 30, 2006, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

December 27, 2006

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

This discussion and analysis provides key information from management highlighting the financial performance of the Wayne Trace Local District (the District) for the year ended June 30, 2006. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the District's financial statements.

Financial Highlights

Key financial highlights for 2006 are as follows:

- Net assets of governmental activities increased \$631,823, or 21%.
- General receipts accounted for \$8,507,021 in revenue or 83% of all receipts. The District's general receipts are primarily taxes and grants and entitlements not restricted to specific programs. These receipts represent 34% and 47%, respectively, of the total revenue received from governmental activities during the fiscal year.
- Total program expenses were \$9,596,078.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement GASB 34, as applicable to the District's modified cash basis of accounting. The statements are organized so the reader can understand the Wayne Trace Local District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. For fiscal year 2006, the General Fund, Debt Service Fund, Permanent Improvements Fund, and the Classroom Facilities Fund are the most significant funds.

Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents, and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. The District has no business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds include the General Fund, Debt Service Fund, Permanent Improvement Fund and the Classroom Facilities Fund.

Governmental Funds - Governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. Receipts are recognized when received in cash and disbursements are recognized when paid. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the District's own programs.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The District as a Whole

This year's financial statements were prepared on the cash basis utilizing the GASB Statement No. 34 presentation. Table 1 provides a summary of the District's net assets for 2006 and 2005.

**(Table 1)
Net Assets – Modified Cash Basis**

	Governmental Activities	
	2006	2005
ASSETS		
Cash & cash equivalents	\$ 3,621,559	\$ 2,989,736
Total Assets	\$ 3,621,559	\$ 2,989,736
NET ASSETS		
Restricted:		
Capital Outlay	\$ 1,347,053	\$ 1,425,166
Debt Service	542,709	516,902
Other Purposes	504,849	384,870
Unrestricted	1,226,948	662,798
Total Net Assets	\$ 3,621,559	\$ 2,989,736

Net assets of the governmental activities increased \$631,823, which represents a 21% increase over fiscal year 2005. The increase is the result of increased income tax receipts and holding expenditures in check.

A portion of the District's net assets, \$2,394,611, represent resources subject to external restrictions on how they may be used. The remaining balance of the government wide restricted net assets of \$1,226,948 may be used to meet the districts ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2006. Since this is the first year the District has prepared financial statements following GASB Statement No. 34 presentation, receipt and disbursement comparisons to fiscal year 2005 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the District's financial status and possibly project future problems.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

**(Table 2)
Governmental Activities**

	2006 Governmental Activities
Receipts	
<i>Program Receipts</i>	
Charges for Services	\$ 807,005
Operating Grants	807,068
Capital Grants	106,807
<i>General Receipts</i>	
Property Taxes	2,345,074
Income Taxes	1,082,560
Grants and Entitlements	4,813,568
Other	265,819
Total Receipts	10,227,901
 <i>Program Disbursements</i>	
Instruction	4,741,551
Support Services	3,033,385
Non-Instructional	21,190
Operation of Food	
Services	424,942
Extracurricular	415,076
Capital Outlay	259,906
Repayment of Debt	700,028
Total Disbursements	9,596,078
 Increase in Net Assets	 \$ 631,823

Governmental Activities

Program receipts of \$1,720,880 represent 16.8 percent of the total governmental activities receipts of \$10,227,901.

The government relies on general receipts to fund the majority of the cost of services provided to the students. Of these general receipts, 40.3 percent (\$3,427,634) comes from tax levies and 56.6 percent (\$4,813,568) is from state and federal funding. The District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 17.9 percent of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$4,741,551, or 49.4 percent of disbursements, but program receipts contributed to fund 21.7 percent of those costs. Thus, general revenues of \$3,711,281 were used to support the remainder of the instruction costs.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services which must be supported by tax revenue and unrestricted State entitlements. Comparisons to 2005 have not been made since they are not available.

**(Table 3)
Governmental Activities**

	2006	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,741,551	\$ 3,711,281
Support Services:		
Pupil and Instructional Staff	663,359	569,477
Board of Education, Administration, and Fiscal Operation and	1,087,477	1,081,458
Maintenance of Plant	778,476	777,876
Pupil Transportation	503,503	494,470
Central	570	570
Non-Instructional	21,190	(6,989)
Operation of Food Services	424,942	151,767
Extracurricular Activities	415,076	233,128
Capital Outlay	259,906	162,132
Repayment of Debt	700,028	700,028
	\$ 9,596,078	\$ 7,875,198
Total		

Instruction and student support services comprise 56% of governmental program expenditures. Board of Education, fiscal and administration charges were 11%. Interest expense was mostly attributable to the outstanding bonds. Fiscal expenditures include payments to the County Auditors for administrative fees and other administrative services provided by the District. Pupil transportation and the operation and maintenance of facilities accounts for 13.4% of governmental program expenditures.

The dependence upon tax receipts and unrestricted State entitlements for governmental activities is apparent.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The District has four major governmental funds: the General Fund, Debt Service Fund, Permanent Improvements Fund, and the Classroom Facilities Fund. Receipts of the General Fund comprise \$8,225,881 (80.4 percent) of the total \$10,227,901 governmental funds receipts and 78.8 percent of the total expenses for the governmental funds. Receipts of the Debt Service Fund comprise \$565,818 (5.5 percent) of that same total and 5.6 percent of total expenses. The Permanent Improvement Fund generated \$172,090 (1.7 percent) in receipts and utilized 1.3 percent of the total governmental disbursements. The Classroom Facilities Fund received \$111,839 (1.1 percent) and disbursed 2.6 percent of the total disbursements. Transfers and advances have not been included in the comparisons above.

General Fund – The General Fund cash balance at June 30, 2006 was \$1,226,948 which represents 33.9 percent of total governmental fund cash balances for fiscal year 2006. General fund receipts were more than disbursements by \$564,150. The fund balance increased \$564,150 (85 percent). The increase resulted from a combination of increasing income tax revenues while holding expenditures constant.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The statement comparing the District's original and final budgets and actual results, for the General Fund, is presented as part of the basic financial statements.

During the course of fiscal year 2006, the District amended its general fund budget to reflect changing circumstances. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

The differences between final budgeted receipts and original budgeted receipts were insignificant. General Fund actual revenues exceeded final budgeted revenues by 3.5%. The differences between final appropriated expenditures and original budgeted appropriations were insignificant. Final budgeted expenditures exceeded actual expenditures by 3%.

Capital Assets and Debt Administration

Capital Assets - The District's financial statements are prepared on the modified cash basis of accounting and thus, capital assets acquired by the District are recorded as disbursements and have not been capitalized.

Debt - At June 30, 2006, the District's outstanding debt included two bond issues totaling \$5,237,895 for the improvement and construction of new school facilities. During fiscal year 2006, the District paid principal of \$305,000 on the school facility bond issues.

The District entered into a loan agreement with the State of Ohio to pay for an adverse decision in a lawsuit against the District. In the lawsuit filed against the district the judgment was for \$5,618,561 and as of 6/30/06 \$1,308,230 had been paid leaving an outstanding balance of \$4,310,331.

Further information on these debt instruments can be found at Note 9 in the notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Economic Factors

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

As for expenses, the District faces continued significant increases in the cost of health care for its employees. The District also faces an increasing number of children requiring special education and services. Charges to provide these services increase every year. The District has faced these challenges the last few years by making cuts to its budget and services offered.

Current Issues

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. In November 2004, the Board of Education submitted a new .50% Income Tax for a continuing period which was approved by the residents.

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 22.9% of revenues for governmental activities for the Wayne Trace Local District in fiscal year 2006.

Another District concern is the State Legislative approval of the biennial budget which had a negative impact on the District. How the legislature plans to fund educational programs during a weakened economy remains a concern.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's office at the Wayne Trace Local District, 4915 U.S. 127, Haviland, Ohio 45851-9738.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

***Statement of Net Assets - Modified Cash Basis
June 30, 2006***

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,621,559</u>
<i>Total Assets</i>	<u><u>\$ 3,621,559</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 542,709
Capital Outlay	1,347,053
Other Purposes	504,849
Unrestricted	<u>1,226,948</u>
<i>Total Net Assets</i>	<u><u>\$ 3,621,559</u></u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2006**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 3,608,995	\$ 329,802	\$ 120,868		\$ (3,158,325)
Special	883,263		538,672		(344,591)
Vocational	150,705		32,117		(118,588)
Other	98,588		8,811		(89,777)
Support Services:					
Pupils	296,317		2,108		(294,209)
Instructional Staff	367,042		91,774		(275,268)
Board of Education	86,211				(86,211)
Administration	783,970		3,094		(780,876)
Fiscal	217,296		2,925		(214,371)
Operation and Maintenance of Plant	778,476	600			(777,876)
Pupil Transportation	503,503			9,033	(494,470)
Central	570				(570)
Non-Instructional Services	21,190	28,179			6,989
Operation of Food Services	424,942	266,476	6,699		(151,767)
Extracurricular Activities	415,076	181,948			(233,128)
Capital Outlay	259,906			97,774	(162,132)
Debt service:					
Principal	480,867				(480,867)
Interest	219,161				(219,161)
Total Governmental Activities	\$ 9,596,078	\$ 807,005	\$ 807,068	\$ 106,807	(7,875,198)

General Receipts

Property Taxes Levied for:	
General Purposes	1,853,170
Debt Service	491,904
Income Taxes	1,082,560
Proceeds from Sale of Capital Assets	59,538
Grants and Entitlements not Restricted to Specific Programs	4,813,568
Interest	146,275
Miscellaneous	60,006
Total General Receipts	8,507,021
Change in Net Assets	631,823
Net Assets Beginning of Year	2,989,736
Net Assets End of Year	\$ 3,621,559

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2006**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvements Fund</u>	<u>Classroom Facilities Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 1,226,948	\$ 542,709	\$ 828,949	\$ 509,016	\$ 513,937	\$ 3,621,559
<i>Total Assets</i>	<u>\$ 1,226,948</u>	<u>\$ 542,709</u>	<u>\$ 828,949</u>	<u>\$ 509,016</u>	<u>\$ 513,937</u>	<u>\$ 3,621,559</u>
Fund Balances						
Reserved for:						
Encumbrances	\$ 81,672		\$ 148,834	\$ 13,604	\$ 69,871	\$ 313,981
Severance and Termination					75,000	\$ 75,000
Unreserved, Undesignated, Reported in:						
General Fund	1,145,276					1,145,276
Special Revenue Funds					369,120	369,120
Debt Service Funds		542,709				542,709
Capital Projects Funds			680,115	495,412	(54)	1,175,473
<i>Total Fund Balances</i>	<u>\$ 1,226,948</u>	<u>\$ 542,709</u>	<u>\$ 828,949</u>	<u>\$ 509,016</u>	<u>\$ 513,937</u>	<u>\$ 3,621,559</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Modified Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006**

	General Fund	Debt Service Fund	Permanent Improvements Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Receipts						
Taxes:						
Property and Other Local Taxes	\$ 1,812,573	\$ 491,904			\$ 40,597	\$ 2,345,074
Income Taxes	1,007,560		75,000			1,082,560
Intergovernmental	4,942,806	52,810		97,774	634,053	5,727,443
Interest	72,631	21,104	37,552	14,065	923	146,275
Tuition and Fees	329,803				28,178	357,981
Rent	600					600
Extracurricular Activities					181,945	181,945
Gifts and Donations	5,250					5,250
Customer Sales and Services					266,577	266,577
Miscellaneous	46,361					46,361
Total Receipts	8,217,584	565,818	112,552	111,839	1,152,273	10,160,066
Disbursements						
Current:						
Instruction:						
Regular	3,412,198		74,870		121,927	3,608,995
Special	651,812				231,451	883,263
Vocational	147,906				2,799	150,705
Other	89,776				8,812	98,588
Support Services:						
Pupils	294,209				2,108	296,317
Instructional Staff	259,752				107,290	367,042
Board of Education	86,211					86,211
Administration	759,145				24,825	783,970
Fiscal	195,820	15,850	1,196		4,430	217,296
Operation and Maintenance of Plant	755,494		10,998		11,984	778,476
Pupil Transportation	486,753		16,750			503,503
Central	570					570
Non-Instructional Services					21,190	21,190
Operation of Food Services					424,942	424,942
Extracurricular Activities	249,669		7,435		157,972	415,076
Capital Outlay	25		10,004	249,877		259,906
Debt Service:						
Principal	175,867	305,000				480,867
Interest		219,161				219,161
Total Disbursements	7,565,207	540,011	121,253	249,877	1,119,730	9,596,078
Excess of Receipts Over (Under) Disbursements	652,377	25,807	(8,701)	(138,038)	32,543	563,988
Other Financing Sources (Uses)						
Proceeds from the Sale of Capital Assets			59,538			59,538
Transfers In	541				147,667	148,208
Advances In	76,202				25,600	101,802
Refund of Prior Year Expenditures	8,297					8,297
Transfers Out	(147,667)				(541)	(148,208)
Advances Out	(25,600)				(76,202)	(101,802)
Total Other Financing Sources (Uses)	(88,227)		59,538		96,524	67,835
Net Change in Fund Balances	564,150	25,807	50,837	(138,038)	129,067	631,823
Fund Balance at Beginning of Year	662,798	516,902	778,112	647,054	384,870	2,989,736
Fund Balance at End of Year	\$ 1,226,948	\$ 542,709	\$ 828,949	\$ 509,016	\$ 513,937	\$ 3,621,559

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Cash Receipts, Disbursements and Changes In Fund Balance
Budget and Actual Comparison- Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget (Over) Under
Receipts				
Taxes:				
Property and Other Local Taxes	\$ 1,743,228	\$ 1,635,602	\$ 1,812,573	\$ 176,971
Income Taxes	958,000	958,000	1,007,560	49,560
Intergovernmental	4,786,357	4,919,964	4,942,806	22,842
Interest	28,935	33,569	72,631	39,062
Tuition and Fees	255,624	341,267	329,803	(11,464)
Rent	500	500	600	100
Gifts and Donations	12,500	12,500	5,250	(7,250)
Miscellaneous	30,500	34,000	46,361	12,361
Total Receipts	7,815,644	7,935,402	8,217,584	282,182
Disbursements				
Current:				
Instruction:				
Regular	3,691,472	3,559,752	3,463,658	96,094
Special	715,717	670,048	652,151	17,897
Vocational	152,296	150,918	148,091	2,827
Other	63,760	86,644	91,292	(4,644)
Support Services:				
Pupils	358,228	351,572	294,935	56,637
Instructional Staff	275,268	271,135	260,324	10,811
Board of Education	114,745	99,002	88,873	10,129
Administration	796,825	893,563	761,820	131,743
Fiscal	197,263	196,385	195,820	565
Operation and Maintenance of Plant	762,425	751,310	774,531	(23,221)
Pupil Transportation	430,003	484,142	489,253	(5,111)
Central	1,780	1,257	570	687
Extracurricular Activities	209,765	178,833	249,669	(70,836)
Capital Outlay:			25	(25)
Debt Service:				
Principal	174,141	174,141	175,867	(1,726)
Total Disbursements	7,943,688	7,868,702	7,646,879	221,823
Excess of Receipts Over (Under) Disbursements	(128,044)	66,700	570,705	504,005
Other Financing Sources (Uses)				
Transfers In			541	541
Advances In	100,000	100,000	76,202	(23,798)
Refund of Prior Year Expenditures			8,297	8,297
Transfers Out			(147,667)	(147,667)
Advances Out	(100,000)	(100,000)	(25,600)	74,400
Total Other Financing Sources (Uses)			(88,227)	(88,227)
Net Change in Fund Balances	(128,044)	66,700	482,478	415,778
Fund Balance at Beginning of Year	499,391	499,391	499,391	
Prior Year Encumbrances Appropriated	163,407	163,407	163,407	
Fund Balance at End of Year	\$ 534,754	\$ 729,498	\$ 1,145,276	\$ 415,778

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 28,029</u>
<i>Total Assets</i>	<u><u>\$ 28,029</u></u>
Net Assets	
Held in Trust for:	
Employees	\$ 563
Students	<u>27,466</u>
<i>Total Net Assets</i>	<u><u>\$ 28,029</u></u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING 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. It is staffed by 56 non-certificated employees, 64 certificated full-time teaching personnel who provide services to 1,059 students and other community members.

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

The reporting entity is comprised of the primary government and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Wayne Trace Local District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. There are no component units.

The District is associated with five jointly governed organizations and three insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Paulding County Schools Council, Vantage Vocational School, Paulding County School Consortium's Employee Insurance Benefits Program, OASBO/Sheakley Workers' Compensation Group Rating Program and the Ohio School Plan. These organizations are presented in Notes 14 and 15 of the financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Fund Accounting

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

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's major funds are the General Fund, Debt Service Fund, Permanent Improvement Fund, and the Classroom Facilities Fund .

General Fund - The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Permanent Improvement Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Classroom Facilities Fund – This fund is used to account for the specific receipts to be used for new classroom facilities.

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

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 include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

Estimated Resources

The 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 fiscal 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, 2005, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Encumbrances

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

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

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

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

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

During 2006, the District invested in nonnegotiable certificates of deposits, mutual funds, government securities, and STAR Ohio. Investments are reported at cost, except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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, 2006.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$72,631.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Capital Assets

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

G. Interfund Receivables/Payables

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

H. Accumulated Leave

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

I. Long-Term Debt

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

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

K. Inventory and Prepaid Items

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

L. Interfund Transactions

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

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

Net assets restricted for other purposes include resources restricted for public school support programs, food service operations, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance.

The District records reservations for portions of fund balances 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 balance reserves are established for encumbrances. The reserve for severance and termination benefits represent revenue set aside for severance and termination benefit payments to eligible employees.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2006, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," Statement No. 40, "Deposit and Investment Risk Disclosure" and Statement No. 46, "Net Assets Restricted by Enabling Legislation" as they apply to the District’s modified cash basis of accounting.

Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include statements of net assets and statements of receipts, expenditures and changes in fund balances both prepared on the cash basis of accounting. The implementation of this new statement had no effect on net income.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLE – (Continued)

Pursuant to the GASB34 format, Enterprise fund-type balances have been reclassified to conform to the current-year presentation to Special Revenue fund-types as follows:

	<u>Governmental-Type Activity</u>	<u>Business-Type Activity</u>
Fund Equity June 30, 2005	\$2,928,490	\$61,246
GASB Statement 34 Adjustment		
Change in Fund Structure	<u>61,246</u>	<u>(61,246)</u>
Net Assets at June 30, 2005	<u>\$2,989,736</u>	<u>\$ -</u>

Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the District's financial statements.

Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

NOTE 4- COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, 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.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$ 81,672
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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 deposited or invested in the following securities:

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

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

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. 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.

At fiscal year end, the carrying amount of the District's deposits was \$2,370,387 and the bank balance was \$2,509,574. Of the bank balance \$1,467,210 was collateralized but uninsured. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2006, the District has \$2,600 in undeposited cash on hand. This amount is included in cash and cash equivalents.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

Investments

As of June 30, 2006, the district had the following investments:

<u>Investments</u>	<u>Carrying Value</u>	<u>% of Investment Balance</u>
Federal Home Loan Bank Bonds	\$ 505,833	39.62
STAR Ohio	770,768	60.38
Totals	<u>\$ 1,276,601</u>	<u>100.00%</u>

	<u>Investment Maturities (in years)</u>		
	<u>Carrying Value</u>	<u>0-1</u>	<u>1-5</u>
Federal Home Loan Bank Bonds	\$ 505,833	\$ 100,567	\$ 405,266
STAR Ohio	770,768	770,768	
Total Investments	<u>\$ 1,276,601</u>	<u>\$ 871,335</u>	<u>\$ 405,266</u>

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchase of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the District.

The District's investments at June 30, 2006, in Federal Home Loan Bank Bonds and STAR Ohio are rated AAA and AAAM, respectively, by Standard & Poor's.

Credit Risk

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 Federal Home Loan Bank Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payments 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 custodian by the treasurer, governing board, or qualified trustee."

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (Continued)

Concentration of Credit Risk

The District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in Federal Home Loan Bank Bonds and STAR Ohio. These investments are 40% and 60%, respectively, of the District's total investments for the amounts listed above.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First half distributions are received by the District in the second half of the fiscal year. 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 District. Real property taxes received in calendar year 2006 represent the collection of calendar year 2005 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of the prior January 1, the lien date. 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.

Public utility property tax receipts received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Paulding, VanWert and Putnum County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 7 - PROPERTY TAXES – (Continued)

The assessed values upon which fiscal year 2006 taxes were collected are:

Collections	2005 Second-Half Collections		2006 First-Half	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 35,162,750	85%	\$ 35,648,170	85%
Public Utility	4,737,720	11	4,687,565	11
Tangible Personal Property	<u>1,551,639</u>	<u>4</u>	<u>1,697,652</u>	<u>4</u>
Total Assessed Value	<u>\$ 41,452,109</u>	<u>100%</u>	<u>\$ 42,033,387</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$38.03		\$38.03	

NOTE 8 - INCOME TAX

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. .75 percent of the overall 1.25 percent taxes is a 5 year renewable tax, last renewed in May, 2006 for FY07 taxes; .5 percent of the income tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 9 – DEBT OBLIGATIONS

Debt obligations of the District at June 30, 2006, consisted of the following:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Due Within one Year
1998 Capital Appreciation Bonds Rate 14.95-15.25%	\$ 439,065	\$ 60,161	\$ 125,000	\$ 374,226	\$ 125,000
2001 School Improvement Bonds Current Interest Bonds (Serial) Rate 3.25-4.45%	1,430,000		180,000	1,250,000	190,000
Current Interest Bonds (Term) Rate 5.00-5.20%	3,250,000			3,250,000	
Capital Appreciation Bonds Rate 13.01732-13.01735%	330,976	32,693		363,669	
Judgements Loan Payable	4,486,198		175,867	4,310,331	181,143
Total Debt Obligation	<u>\$9,936,239</u>	<u>\$ 92,854</u>	<u>\$ 480,867</u>	<u>\$ 9,548,226</u>	<u>\$ 496,143</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 9 – DEBT OBLIGATIONS – (Continued)

1998 Capital Appreciation Bonds - The Capital Appreciation Bonds mature in fiscal years 2006 through 2010. The maturity amounts of the bonds are \$125,000 from 2006 through 2009, and \$120,000 for 2010. The accreted value of the Capital Appreciation Bonds as of June 30, 2006, is \$374,226. 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. The debt will be retired with a voted tax levy from the debt service fund.

2001 School Improvement Bonds - 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. Detail of the various bonds is listed below:

2001 Current Interest Bonds (Serial) - The Current Interest Bonds were issued for an eleven fiscal year period with final maturity on December 1, 2011. The remaining principle amount to be redeemed as of June 30, 2006, is \$1,250,000.

2001 Current Interest Bonds (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:

Fiscal year Ending June 30,	Principal
2016	\$ 245,000
2017	255,000
2018	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 in fiscal year 2019.

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:

Fiscal year Ending June 30,	Principal
2020	\$ 295,000
2021	305,000
2022	325,000
2023	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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 9 – 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

Fiscal year Ending June 30,	Principal
2025	\$ 105,000
2026	110,000
2027	115,000
2028	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.

2001 Capital Appreciation Bonds - The Capital Appreciation Bonds will mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2006, is \$363,669. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt, including notes outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	1998 School Improvement Bonds	2001 School Improvement Bonds		Interest	Total
		Current Interest Bonds	Capital Appreciation		
2007	\$ 116,225	\$ 190,000		\$ 220,947	\$ 527,172
2008	100,409	195,000		229,255	524,664
2009	86,665	200,000		235,048	521,713
2010	70,927	215,000		237,117	523,044
2011		220,000		183,475	403,475
2012-2016		475,000	\$ 363,669	1,199,916	2,038,585
2017-2021		1,400,000		588,600	1,988,600
2022-2026		1,235,000		219,050	1,454,050
2027-2029		370,000		29,640	399,640
Total	\$ 374,226	\$4,500,000	\$ 363,669	\$ 2,843,048	\$ 8,380,943

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 9 – DEBT OBLIGATIONS – (Continued)

State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2006, are as follows:

Fiscal year Ending June 30,	Judgment Loan
2007	\$ 181,143
2008	186,577
2009	192,175
2010	197,940
2011	203,878
2012-2016	1,114,889
2017-2021	1,292,462
2022-2024	941,267
Total	<u>\$ 4,310,331</u>

Payments on above obligations are deducted from the District's monthly Foundation payments by the State. The monthly deductions equal to 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 10 - RISK MANAGEMENT

1. Property and Liability

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2006, the District contracted with Ohio Schools Risk Sharing Authority for property, fleet, violence and liability insurance in the amounts as follows:

Bodily Injury and Property Damage	\$ 1,000,000
Personal Injury/Advertising Liability	1,000,000
Products/Completed Operations Aggregate Limit	1,000,000
General Annual Aggregate	3,000,000
Fire Legal Liability	500,000
Medical Payments Any One Person	10,000
Medical Payments Any One Accident	10,000
Errors or Omissions	1,000,000
Errors or Omissions Aggregate	3,000,000
Employment Practices Liability	1,000,000
Employment Practices Liability Aggregate	3,000,000
Owned/Leased Vehicles	4,000,000
Medical Payments	5,000
Uninsured Motorist	1,000,000
Automobile Physical Damage	50,000
Property Blanket Limit	39,912,736
Employee Dishonesty/Faithful Performance of Duty	50,000
Forgery or Alteration	50,000
Computer Fraud	50,000
Money & Securities- In	50,000
Money & Securities- Out	50,000

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.

2. Health Care Benefits

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

3. Workers' Compensation

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is 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 Districts that can meet the GRP's selection criteria.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting their website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. In the DC Plan, 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.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Upon termination of a reemployed member, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLANS – (Continued)

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salary. The District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for obligations to STRS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$308,758, \$308,461, and \$321,227, respectively; 87 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$3,499 made by the District and \$8,111 made by the plan members.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available,

stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or by visiting their website at www.ohsers.org.

Plan members must contribute 10 percent of their annual covered salary and the District must contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution funds pension obligations with the remainder used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contribution for obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$108,424, \$104,383, and \$101,966 respectively. The District has paid all contributions required through June 30, 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, all of the Board of Education members are covered by either STRS or SERS.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 12 - POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the 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% of covered payroll to the Health Care Stabilization Fund. STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information available). For the year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

At June 30, 2006, the employer contributions to fund health care benefits were 3.42 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 2005, the minimum pay has been established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District this amount is \$72,881.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance
Set-Aside Balance as of June 30, 2005	\$ (119,600)	
Required Set-Aside	133,900	\$ 133,900
Offset		(119,928)
Qualifying Disbursements	(73,228)	(72,306)
Balance June 30, 2006	\$ (58,928)	\$ (58,334)
Balance Carried Forward to FY07	\$ (58,928)	\$ -

The District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Also, Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. For capital acquisitions, the extra amount cannot be used to reduce the set aside requirements of future years.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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

Paulding County Schools Council - The Paulding County Schools Council is a jointly governed organization among the Boards of Education of Wayne Trace Local District, Antwerp Local District, and Paulding Exempted Village District. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member Districts and bylaws adopted by the representatives of the member Districts. Financial information may be obtained from Jim Durre, who serves as Chairman, at 405 North Water Street, Paulding, Ohio 45879.

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

NOTE 15 - GROUP PURCHASING POOL

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

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Jim Durre, 405 North Water Street, Paulding, Ohio 45879.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 15 - GROUP PURCHASING POOL – (Continued)

OASBO/Sheakley Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

Ohio School Plan - The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum- Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

NOTE 16- TRANSFERS

During the year ended June 30, 2006, the General fund transferred \$147,657 to the Lunchroom and the Severance and Termination benefits fund which are Other Non-Major Governmental funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 17 - CONTINGENCIES

Grants

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)

NOTE 18 – CONTRACTUAL COMMITMENTS

At June 30, 2006, the District had the following outstanding contractual commitments for the building construction project and bus purchase:

<u>Contractor/Vendor</u>	<u>Amount</u>	<u>Description</u>
Chambers Controls	\$ 13,604	Temperature controls at High School
Cardinal Bus	126,202	Two new school buses

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**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 Area Local School District
Paulding County
4915 US Rt. 127
Haviland, Ohio 45851-9738

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Trace Area Local School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures 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 December 27, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-002. In a separate letter to the District's management dated December 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

December 27, 2006

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code §117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with another comprehensive accounting basis, and not 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.

Officials Response: Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2006-002

Finding For Recovery Repaid Under Audit

Ohio Rev. Code Section 121.22(A) states this section shall be liberally construed to require public officials to take official action and to conduct all deliberations upon official business only in open meetings unless the subject matter is specifically excepted by law.

Ohio Rev. Code Section 121.22(C) states in part that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of this section.

The contract adopted by the Board of Education on June 13, 2005, for Kevin Wilson, High School Principal, stipulates an annual salary of \$60,000. The contract adopted by the Board of Education on March 14, 2005, for Brian Gerber, Payne Elementary Principal, stipulates an annual salary of \$65,890.61. The contract adopted by the Board of Education on April 14, 2003 and amended by Board of Education motion approved June 14, 2004, for Alan Lautzenheiser, Grover Hill Principal, stipulates an annual salary of \$60,466.20. For the remaining employees listed below, the Board of Education approved a motion on December 16, 2005 to increase their annual compensation by 1.5%. For all the employees receiving this 1.5% increase, except the Treasurer, the increase was made retroactive to the beginning of the 2005-2006 contract year. The Treasurer's increase was effective January 1, 2006.

The table below shows the amounts due, the amounts paid, and amounts overpaid for all employees listed for the 2005-2006 contract year, except for the Treasurer. The amounts shown for the Treasurer are for calendar year 2006. The Board of Education improperly approved these differences as there is no indication in the minutes that the Board took action on these items in an open meeting.

**FINDING NUMBER 2006-002
 (Continued)**

Employee	Position	Salary Due	Salary Paid	Overpayment
Kevin Wilson	High School Principal	\$60,000.00	\$60,182.98	\$182.98
Brian Gerber	Payne Elementary Principal	65,890.61	66,550.00	659.39
Alan Lautzenheiser	Grove Hill Principal	60,466.20	61,071.00	604.80
Robert Wannemacher	Treasurer	40,772.55	41,180.00	407.45
Kenneth Doseck	Superintendent	79,847.31	80,673.00	825.69
Annette Baumle	Assistant Treasurer	24,860.85	25,186.61	325.76
Ann Olwin	Superintendent's Secretary	31,960.60	32,379.40	418.80
Jo Ellen Sission	Technology Coordinator	27,997.15	28,364.01	366.86
Amy Noggle	Transportation Director	23,522.63	23,830.85	308.22
Kathy Flaugh	Café Manager	19,554.42	19,810.65	256.23
Total Overpayment				<u>\$4,356.18</u>

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies illegally expended is hereby issued against each employee listed above in the amount of the individual overpayment listed above and in favor of the District's General Fund. In addition, a finding for recovery for public monies illegally expended is hereby returned against, Robert Wannemacher, Treasurer, jointly and severally, in the amount of \$4,356.18, and in favor of the District's General Fund.

Official's Response

The Auditor of State notified the District of the difference during the course of the audit of the 2006 financial statements. On December 11, 2006, the Board of Education approved a motion authorizing increases for the amounts paid above for the period they were due.

The Auditor of State accepts this retroactive approval of compensation as repayment of the finding for recovery.

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2005-001	Revised Code § 117.38- filing of reports on a GAAP basis	No	Not Corrected. Reissued as finding 2006-001



Mary Taylor, CPA
Auditor of State

WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2007**