



Dave Yost • Auditor of State

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio, as June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position governmental activities, and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Award Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly legible.

Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The management's discussion and analysis of the Wayne Trace Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- The total net position of the District increased \$822,528 or 9.09% from fiscal year 2013.
- General cash receipts accounted for \$10,314,535 or 79.08% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,728,338 or 20.92% of total governmental activities cash receipts.
- The District had \$12,220,345 in cash disbursements related to governmental activities; \$2,728,338 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$10,314,535 were adequate to provide for these programs.
- The District's major funds are the General Fund, Bond Retirement Fund and Permanent Improvement Fund. The General Fund, the District's largest major fund, had cash receipts and other financing sources of \$10,717,134 in fiscal year 2014. The cash disbursements and other financing uses of the General Fund, totaled \$9,668,978 in fiscal year 2014. The General Fund's cash balance increased \$1,048,156 from 2013 to 2014.
- The Bond Retirement Fund, a District major fund, had cash receipts of \$486,603 in 2014. The Bond Retirement Fund had cash disbursements of \$405,769 in 2014. The Bond Retirement Fund's balance increased \$80,834 from 2013 to 2014.
- The Permanent Improvement Fund, a District major fund, had cash receipts and other financing sources of \$234,420 in 2014. The Permanent Improvement Fund had cash disbursements of \$562,229 in 2014. The Permanent Improvement Fund's balance decreased \$327,809 from 2013 to 2014.

Using this Cash Basis Basic Financial Statements (BFS)

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2014?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
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is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a Private-Purpose Trust Fund and an Agency Fund.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 9,873,440	\$ 9,050,261
Cash and cash equivalents with fiscal agent		651
	<u>9,873,440</u>	<u>9,050,912</u>
<u>Net Position</u>		
Restricted	1,674,379	2,978,047
Unrestricted	<u>8,199,061</u>	<u>6,072,865</u>
Total net position	<u><u>\$ 9,873,440</u></u>	<u><u>\$ 9,050,912</u></u>

The total net position of the District increased \$822,528, which represents a 9.09% increase over fiscal year 2013. This increase is the result of an overall increase in property tax and income tax receipts. These cash receipts were adequate to cover cash disbursements which increased.

The balance of government-wide unrestricted net position of \$8,199,061 may be used to meet the District's ongoing obligations to citizens and creditors.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The table below shows the changes in net position for fiscal year 2014 and 2013.

	Change in Net Position	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,051,499	\$ 978,787
Operating grants and contributions	1,669,816	1,366,023
Capital grants and contributions	7,023	12,769
	<u>2,728,338</u>	<u>2,357,579</u>
Total program cash receipts		
	<u>2,728,338</u>	<u>2,357,579</u>
General cash receipts:		
Property taxes	3,855,204	2,894,344
Income taxes	1,541,267	1,399,651
Unrestricted grants	4,772,041	4,414,425
Investment earnings	49,392	58,774
Miscellaneous	96,631	40,852
	<u>10,314,535</u>	<u>8,808,046</u>
Total general cash receipts		
	<u>10,314,535</u>	<u>8,808,046</u>
Total cash receipts		
	<u>13,042,873</u>	<u>11,165,625</u>

- Continued

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

	Change in Net Position (Continued)	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 5,243,298	\$ 4,533,071
Special	1,201,306	835,064
Vocational	138,070	142,726
Other	81,327	109,690
Support services:		
Pupil	481,723	364,264
Instructional staff	415,949	311,962
Board of education	31,439	28,668
Administration	817,797	776,469
Fiscal	309,253	283,693
Operations and maintenance	1,086,860	872,850
Pupil transportation	657,930	635,929
Central	7,248	4,340
Operation of non-instruction services:		
Other non-instructional services		45,905
Food service	451,361	451,915
Extracurricular	588,811	463,727
Facilities acquisition and construction	41,544	11,166
Debt service:		
Principal retirement	542,453	540,227
Interest and fiscal charges	92,970	93,685
Intergovernmental	31,006	240,717
Refund of prior year receipts		290,649
Total cash disbursements	<u>12,220,345</u>	<u>11,036,717</u>
Change in net position	822,528	128,908
Net position at beginning of year	9,050,912	8,922,004
Net position at end of year	<u>\$ 9,873,440</u>	<u>\$ 9,050,912</u>

Governmental Activities

Governmental net position increased by \$822,528 in 2014 from 2013. Total governmental disbursements of \$12,220,345 were offset by program receipts of \$2,728,338 and general receipts of \$10,314,535. Program revenues supported 22.33% of the total governmental expenses.

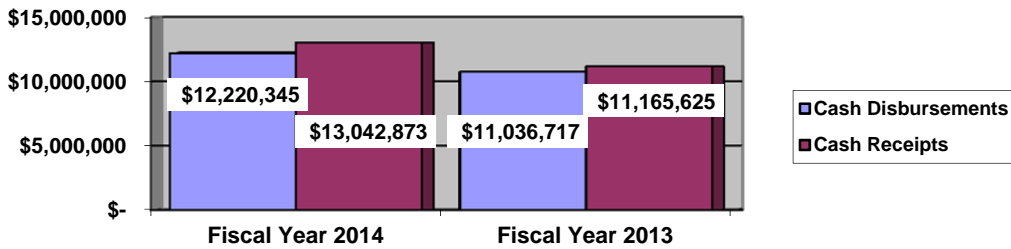
WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 77.96% of total governmental receipts. Real estate property is reappraised every six years.

Program receipts of the District increased \$370,759 or 15.73%. This increase is the result of the District receiving \$476,705 in Straight A grant funding. General receipts increased \$1,506,489 or 17.10%. This increase is due to an increase in property tax collections due primarily to windmill farms in the District, increased assessed values and an increase in income tax collections due to the rebounding economy. The District also showed an increase in unrestricted grants and entitlements due to an increase in State foundation payments. Disbursements of the District increased \$1,183,628 or 10.72%. This increase is primarily due to an increase in materials and supplies and capital outlay disbursements. For materials and supplies, the most significant increases were in the areas of general supplies and building materials. For capital outlay disbursements, the most significant increase was in the area of technology equipment.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Governmental Activities

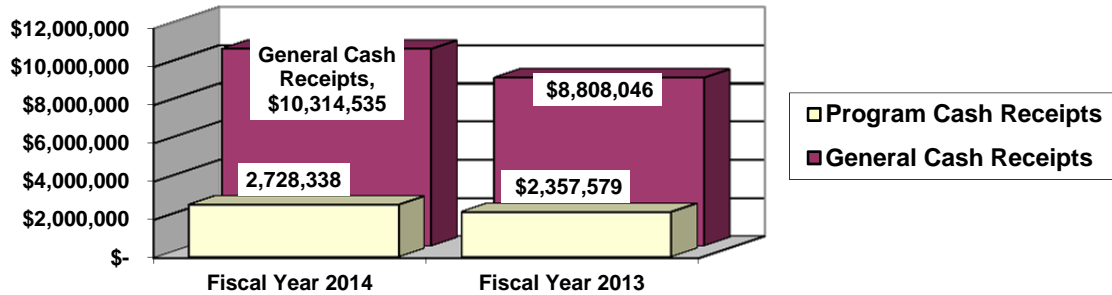
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Cash disbursements:				
Instruction:				
Regular	\$ 5,243,298	\$ 4,140,916	\$ 4,533,071	\$ 3,880,197
Special	1,201,306	477,634	835,064	208,325
Vocational	138,070	119,544	142,726	111,352
Other	81,327	10,647	109,690	31,034
Support services:				
Pupil	481,723	481,723	364,264	364,264
Instructional staff	415,949	397,518	311,962	296,647
Board of education	31,439	31,439	28,668	28,668
Administration	817,797	798,591	776,469	762,950
Fiscal	309,253	260,586	283,693	281,901
Operations and maintenance	1,086,860	1,084,225	872,850	859,572
Pupil transportation	657,930	647,781	635,929	633,753
Central	7,248	7,248	4,340	4,340
Operation of non-instruction services:				
Other non-instructional services:			45,905	6,998
Food service operations	451,361	42,877	451,915	4,356
Extracurricular	588,811	313,660	463,727	269,603
Facilities acquisition and construction	41,544	41,544	11,166	11,166
Debt service:				
Principal retirement	542,453	542,453	540,227	540,227
Interest and fiscal charges	92,970	92,970	93,685	93,685
Intergovernmental	31,006	651	240,717	(549)
Refund of prior year receipt			290,649	290,649
Total	\$ 12,220,345	\$ 9,492,007	\$ 11,036,717	\$ 8,679,138

The dependence upon general cash receipts for governmental activities is apparent; with 77.67% of cash disbursements supported through taxes and other general cash receipts during 2014.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund balance of \$9,873,440, which is \$822,528 above last year's total of \$9,050,912. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and June 30, 2013, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2014</u>	<u>Fund Balance June 30, 2013</u>	<u>Change</u>
Major funds:			
General	\$ 7,121,021	\$ 6,072,865	\$ 1,048,156
Bond Retirement	989,396	908,562	80,834
Permanent Improvement	1,078,040	1,405,849	(327,809)
Other Nonmajor Governmental Funds	<u>684,983</u>	<u>663,636</u>	<u>21,347</u>
Total	<u>\$ 9,873,440</u>	<u>\$ 9,050,912</u>	<u>\$ 822,528</u>

General Fund

The General Fund, the District's largest major fund, had cash receipts and other financing sources of \$10,717,134 in 2014. The cash disbursements and other financing uses of the General Fund, totaled \$9,668,978 in 2014. The General Fund's fund balance increased \$1,048,156 from 2013 to 2014.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 4,915,640	\$ 3,857,001	27.45 %
Tuition	512,518	511,665	0.17 %
Earnings on investments	44,114	51,983	(15.14) %
Other local revenues	162,603	109,706	48.22 %
Intergovernmental - state and federal	<u>5,065,388</u>	<u>4,787,939</u>	5.79 %
Total	<u>\$ 10,700,263</u>	<u>\$ 9,318,294</u>	14.83 %

Receipts of the General Fund increased \$1,381,969 or 14.83%. Property and income taxes increased \$1,058,639 or 27.45%. This increase is due to an increase in property tax collections due primarily to windmill farms in the District and an increase in assessed values and an increase in income tax collections due to the rebounding economy. Earnings on investments decreased \$7,869 due to a decrease in interest rates earned on investments. Intergovernmental revenue increased \$277,449 or 5.78% due to an increase in state foundation during the year as well as an increase in state reimbursements for homestead and rollback.

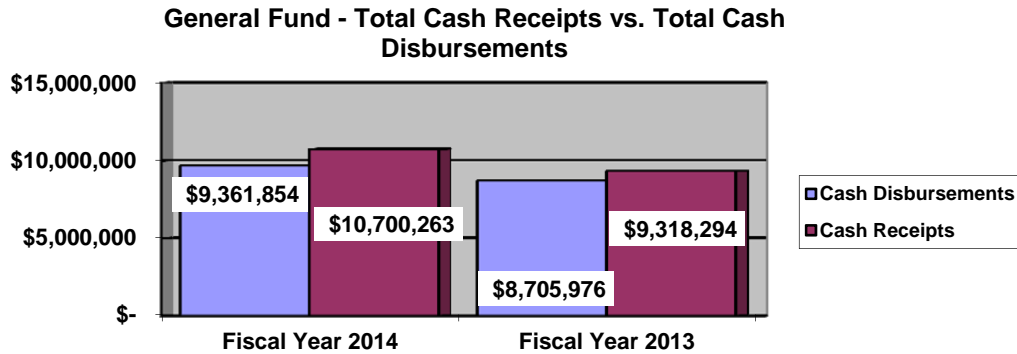
The table that follows assists in illustrating the expenditures of the General Fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 5,360,957	\$ 5,102,086	5.07 %
Support services	3,480,872	3,064,686	13.58 %
Operation of non instruction	-	6,998	(100.00) %
Extracurricular	277,572	291,979	(4.93) %
Debt service	<u>242,453</u>	<u>240,227</u>	0.93 %
Total	<u>\$ 9,361,854</u>	<u>\$ 8,705,976</u>	7.53 %

Disbursements of the General Fund increased \$655,878 or 7.53%. This increase is primarily due to an increase in instruction and support services disbursements. Instruction and support services disbursements increased \$675,057 or 8.23% due primarily to increase in benefits and material and supplies disbursements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**



Bond Retirement Fund

The Bond Retirement Fund, a District major fund, had cash receipts of \$486,603 in 2014. The Bond Retirement Fund had cash disbursements of \$405,769 in 2014. The Bond Retirement Fund's cash balance increased \$80,834 from 2013 to 2014. This increase can be attributed mainly to property tax collections exceeded the scheduled principal and interest payments during the year.

Permanent Improvement Fund

The Permanent Improvement Fund, a District major fund, had cash receipts and other financing sources of \$234,420 in 2014. The Permanent Improvement Fund had cash disbursements of \$562,229 in 2014. The Permanent Improvement Fund's cash balance decreased \$327,809 from 2013 to 2014. This decrease can be attributed mainly to a decrease in transfers in from the General Fund in combination with increase in operations and maintenance disbursements for miscellaneous projects throughout the District.

Budgeting Highlights - General Fund

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

For the General Fund, final budget basis receipts and other financing sources of \$10,737,487 were increased from the original budget estimates of \$9,618,843. Actual cash receipts and other financing sources of \$10,746,443 were more than final budget estimates by \$8,956. The final budget basis disbursements and other financing uses of \$9,813,927 and were not changed from the original budget.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$41,544 during fiscal year 2014.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2014 and 2013:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
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	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
2001 school improvement bonds		
Capital appreciation bonds	\$ 65,367	\$ 137,347
Accreted interest	168,340	308,938
2010 refunding bonds		
Current interest serial bonds	2,895,000	2,950,000
Capital appreciation bonds	139,993	139,993
Accreted interest	219,385	138,021
Judgment loan payable	<u>2,639,412</u>	<u>2,881,865</u>
Total	<u><u>\$ 6,127,497</u></u>	<u><u>\$ 6,556,164</u></u>

Economic Factors

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

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

Current Issues

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

During calendar year 2010 Paulding County experienced a full revaluation of all real property. Increases in CAUV values of farm land caused calendar year 2011 collections to increase dramatically as farm ground values rose to 150% of prior value. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, District's dependent upon property taxes are hampered by a lack of receipt growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 27%, 25%, 23%, 21%, and 22% of receipts for governmental activities for the Wayne Trace Local District in fiscal years 2013, 2012, 2011, 2010, and 2009 respectively, exclusive of bonds issued. The steady increase in local funding reflects flat to decreased state support for the district.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

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

Looking forward there are some positives in the near term future. With the Timber Road II wind farm becoming operational in 2011 we began to see the fee payments begin in January of 2013 based on current legislation. Though this is not the answer to all problems it will give us a new revenue stream to help offset any future requests to the voters for more funding. In fiscal year 2013 we started receiving the long awaited Casino tax revenue. Based on projections supplied by the state this will offer a small revenue stream equating to less than a .5 mill of valuation. Now the Blue Creek Wind Farm is operational and we started seeing receipts from the operation in 2014. We hope to see this funding help offset what is being forecast as a loss in state funding due to the vagaries of the new Biennial budget which, though claiming to continue funding at a flat level, will cut approximately \$200,000 due to a change in unit funding from the Western Buckeye Educational Service Center to local receipts.

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

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.

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2014

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u><u>\$9,873,440</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$23,526
Classroom Facilities Maintenance	526,219
Debt Service	989,396
Locally Funded Programs	7,938
State funded programs	37,243
Federally Funded Programs	18,587
Student Activities	60,562
Other Purposes	10,908
Unrestricted	8,199,061
<i>Total Net Position</i>	<u><u>\$9,873,440</u></u>

See Accompanying Notes to the Basic Financial Statements

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Disbursements	Program Receipts			Net (Disbursement) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$5,243,298	\$545,929	\$549,430	\$7,023	(\$4,140,916)
Special	1,201,306		723,672		(477,634)
Vocational	138,070	991	17,535		(119,544)
Other	81,327		70,680		(10,647)
Support Services:					
Pupil	481,723				(481,723)
Instructional Staff	415,949		18,431		(397,518)
Board of Education	31,439				(31,439)
Administration	817,797	18,898	308		(798,591)
Fiscal	309,253		48,667		(260,586)
Operations and Maintenance	1,086,860	75	2,560		(1,084,225)
Pupil Transportation	657,930		10,149		(647,781)
Central	7,248				(7,248)
Operation of Non-Instructional Services:					
Food Service Operations	451,361	210,647	197,837		(42,877)
Extracurricular Activities	588,811	274,959	192		(313,660)
Facilities Acquisition and Construction	41,544				(41,544)
Intergovernmental	31,006		30,355		(651)
Debt service:					
Principal Retirement	542,453				(542,453)
Interest and Fiscal Charges	92,970				(92,970)
Total Governmental Activities	\$12,220,345	\$1,051,499	\$1,669,816	\$7,023	(9,492,007)
General receipts:					
Property Taxes:					
					3,374,373
					426,931
					53,900
Income Taxes Levied for:					
					1,541,267
					4,772,041
					49,392
					96,631
					<u>10,314,535</u>
					822,528
					<u>9,050,912</u>
					<u>\$9,873,440</u>

See Accompanying Notes to the Basic Financial Statements

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$7,121,021	\$989,396	\$1,078,040	\$684,983	\$9,873,440
Fund Balances:					
Restricted:					
Debt Service		\$989,396			\$989,396
Capital Improvements				\$23,526	23,526
Classroom Facilities Maintenance				526,219	526,219
Food Service Operations				10,908	10,908
Non-public schools				33,678	33,678
Targeted academic assistance				5,932	5,932
Other Purposes				24,158	24,158
Extracurricular Activities				60,562	60,562
Committed:					
Termination Benefits	\$16,239				16,239
Assigned:					
Student Instruction	9,116				9,116
Student and Staff Support	93,794				93,794
Subsequent Year's Appropriations	36,707				36,707
Capital Improvements			\$1,078,040		1,078,040
Other Purposes	566				566
Unassigned	6,964,599				6,964,599
Total Fund Balances	\$7,121,021	\$989,396	\$1,078,040	\$684,983	\$9,873,440

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
From Local Sources:					
Property Taxes	\$3,374,373	\$426,931		\$53,900	\$3,855,204
Income Taxes	1,541,267				1,541,267
Tuition	512,518				512,518
Transportation fees	272				272
Earnings on Investments	44,114	5,278	\$7,023	2,757	59,172
Charges for Services				210,647	210,647
Extracurricular	30,723			263,134	293,857
Classroom Materials and Fees	33,893				33,893
Rental Income	75				75
Contributions and Donations	17,827				17,827
Contract services	237				237
Other Local Revenues	79,576				79,576
Intergovernmental - intermediate				25,000	25,000
Intergovernmental - state	5,065,388	54,394		563,624	5,683,406
Intergovernmental - federal				729,922	729,922
Total Receipts	<u>10,700,263</u>	<u>486,603</u>	<u>7,023</u>	<u>1,848,984</u>	<u>13,042,873</u>
Disbursements:					
Current:					
Instruction:					
Regular	4,387,860		278,785	576,653	5,243,298
Special	826,286			375,020	1,201,306
Vocational	138,070				138,070
Other	8,741			72,586	81,327
Support Services:					
Pupil	481,723				481,723
Instructional Staff	385,654		11,372	18,923	415,949
Board of Education	31,439				31,439
Administration	817,797				817,797
Fiscal	280,011	12,799		16,443	309,253
Operations and Maintenance	914,071		125,709	47,080	1,086,860
Pupil Transportation	562,929		85,292	9,709	657,930
Central	7,248				7,248
Operation of Non-Instructional Services:					
Food Service Operations				451,361	451,361
Extracurricular Activities	277,572		55,227	256,012	588,811
Facilities Acquisition and Construction			5,844	35,700	41,544
Debt Service:					
Principal Retirement	242,453	300,000			542,453
Interest and Fiscal Charges		92,970			92,970
Intergovernmental				31,006	31,006
Total Disbursements	<u>9,361,854</u>	<u>405,769</u>	<u>562,229</u>	<u>1,890,493</u>	<u>12,220,345</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>1,338,409</u>	<u>80,834</u>	<u>(555,206)</u>	<u>(41,509)</u>	<u>822,528</u>
Other Financing Sources (Uses):					
Transfers In			227,397	7,947	235,344
Transfers (Out)	(235,344)				(235,344)
Advances In	16,871			71,780	88,651
Advances (Out)	(71,780)			(16,871)	(88,651)
Total Other Financing Sources (Uses)	<u>(290,253)</u>		<u>227,397</u>	<u>62,856</u>	
Net Change in Fund Balances	1,048,156	80,834	(327,809)	21,347	822,528
Fund Balances at Beginning of Year	<u>6,072,865</u>	<u>908,562</u>	<u>1,405,849</u>	<u>663,636</u>	<u>9,050,912</u>
Fund Balances at End of Year	<u>\$7,121,021</u>	<u>\$989,396</u>	<u>\$1,078,040</u>	<u>\$684,983</u>	<u>\$9,873,440</u>

See Accompanying Notes to the Basic Financial Statements

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
From Local Sources:				
Property Taxes	\$2,536,805	\$3,369,994	\$3,374,373	\$4,379
Income Taxes	1,490,869	1,555,603	1,541,267	(14,336)
Tuition	507,769	493,696	512,518	18,822
Transportation fees		66	272	206
Earnings on Investments	58,947	38,150	44,114	5,964
Classroom Materials and Fees	33,509	33,294	33,342	48
Rental Income		75	75	
Contributions and Donations	2,572	11,055	17,055	6,000
Contract services		237	237	
Other Local Revenues	42,781	81,616	79,576	(2,040)
Intergovernmental - State	4,945,591	5,074,677	5,065,388	(9,289)
Total Receipts	<u>9,618,843</u>	<u>10,658,463</u>	<u>10,668,217</u>	<u>9,754</u>
Disbursements:				
Current:				
Instruction:				
Regular	5,091,044	5,091,044	4,424,058	666,986
Special	799,391	799,391	826,286	(26,895)
Vocational	138,500	138,500	138,070	430
Other	24,484	24,484	8,741	15,743
Support services:				
Pupil	361,375	361,375	481,723	(120,348)
Instructional Staff	326,030	326,030	390,784	(64,754)
Board of Education	35,502	35,502	31,439	4,063
Administration	644,511	644,511	782,481	(137,970)
Fiscal	597,234	597,234	285,811	311,423
Operations and Maintenance	794,338	794,338	955,743	(161,405)
Pupil Transportation	472,887	472,887	581,890	(109,003)
Central	8,516	8,516	7,248	1,268
Extracurricular Activities	252,662	252,662	266,710	(14,048)
Debt service:				
Principal	242,453	242,453	242,453	
Total Disbursements	<u>9,788,927</u>	<u>9,788,927</u>	<u>9,423,437</u>	<u>365,490</u>
Excess (Deficiency) of Receipts Over (Under)				
Disbursements	(170,084)	869,536	1,244,780	375,244
Other Financing Sources (Uses):				
Refund of Prior Year's Expenditures		61,355	61,355	
Transfers In		798		(798)
Transfers (Out)			(270,344)	(270,344)
Advances In		16,871	16,871	
Advances (Out)	(25,000)	(25,000)	(71,780)	(46,780)
Sale of Capital Assets				
Total Other Financing Sources (Uses)	<u>(25,000)</u>	<u>54,024</u>	<u>(263,898)</u>	<u>(317,922)</u>
Net Change in Fund Balance	(195,084)	923,560	980,882	57,322
Fund Balance at Beginning of Year	5,773,598	5,773,598	5,773,598	
Prior Year Encumbrances Appropriated	209,983	209,983	209,983	
Fund Balance at End of Year	<u>5,788,497</u>	<u>6,907,141</u>	<u>\$6,964,463</u>	<u>\$57,322</u>

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

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Current assets:		
Equity in Pooled Cash and Investments	<u>\$39,777</u>	<u>\$33,770</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies		<u>\$33,770</u>
Net Position:		
Scholarships	<u>\$39,777</u>	

See Accompanying Notes to the Basic Financial Statements

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$354
Gifts and contributions	2,735
Total Additions	3,089
Deductions:	
Scholarships Awarded	1,732
Change in Net Position	1,357
Net Position at Beginning of Year	38,420
Net Position at End of Year	\$39,777

See Accompanying Notes to the Basic Financial Statements

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE 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 47 non-certified employees and 65 certified full-time teaching personnel who provide services to 1,031 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 has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The District is associated with four jointly governed organizations and two group purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Northwest Ohio Special Education Regional Resource Center, State Support Team Region 1, Vantage Vocational School, Paulding County School Consortium's Employee Insurance Benefits Program, and Metropolitan Educational Council. These organizations are presented in Notes 12 and 13 of the financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., 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. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The accompanying financial statements omit assets, liabilities, net position/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.

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

B. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 Position and Statement of Activities display information about the District as a whole. The statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The Statement of Net Position presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each program or function 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 goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

During the 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.

C. Fund Accounting

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.

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

Other Governmental Funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 private purpose trust and agency funds. The District's private purpose trust fund accounts for a program that provides for community service activities. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

D. Budgetary Process

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

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

Tax Budget

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

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, 2012 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 and may be reported as part of restricted, committed or assigned classifications of fund balance.

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, including fiduciary 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 Investments."

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 fiscal year 2014, the District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio) and a governmental money market. With the exception of STAR Ohio, investments are reported at cost basis. 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, 2014.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts for the General Fund during fiscal year 2014 were \$44,114, which includes approximately \$13,307 interest assigned from other District funds.

F. Capital Assets

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

G. Accumulated Leave

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

H. Long-Term Debt

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

I. Intergovernmental Receipts

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

J. 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.

K. 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.

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 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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 9 and 10 the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as Net Position, and displayed in separate components:

- a. Restricted Net Position - Consists of Net Position 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 Position - All other Net Position that do not meet the definition of "restricted."

Net Position restricted for other purposes include resources restricted for food service operations. 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 Position is available. There was no Net Position restricted by enabling legislation as of June 30, 2013.

O. Fund Cash Balance

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

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

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

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. 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 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 position / 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

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

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

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$928,579. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$72,334 of the District's bank balance of \$1,225,178 was exposed to custodial risk as discussed below, while \$1,152,844 was covered by the Federal Deposit Insurance Corporation (FDIC).

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

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment type</u>	<u>Carrying Amount</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CD's	\$ 6,083,000	\$ 509,000	\$ 698,000	\$ 747,000	\$ 1,139,000	\$ 2,990,000
Invesco mutual funds	369,405	369,405				
Repurchase agreement	2,560,869	2,560,869				
STAR Ohio	5,134	5,134				
Total	\$ 9,018,408	\$ 3,444,408	\$ 698,000	\$ 747,000	\$ 1,139,000	\$ 2,990,000

The weighted average maturity of investments is 1.51 years.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. Of the District's investment in a repurchase agreement, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the District at June 30, 2014:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 6,083,000	67.44
Invesco mutual funds	369,405	4.10
Repurchase agreement	2,560,869	28.40
STAR Ohio	<u>5,134</u>	<u>0.06</u>
Total	<u>\$ 9,018,408</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 928,579
Investments	<u>9,018,408</u>
Total	<u>\$ 9,946,987</u>

<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 9,873,440
Private-purpose trust funds	39,777
Agency funds	<u>33,770</u>
Total	<u>\$ 9,946,987</u>

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES (Continued)

The District receives property taxes from Paulding, Van Wert and Putnam. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 107,558,760	88.73	\$ 148,902,180	91.69
Public utility personal	<u>13,667,300</u>	<u>11.27</u>	<u>13,503,040</u>	<u>8.31</u>
Total	<u>\$ 121,226,060</u>	<u>100.00</u>	<u>\$ 162,405,220</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$27.70		\$27.70	
Debt service	3.45		2.50	
Maintenance	0.50		0.50	

6. INCOME TAX

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEBT OBLIGATIONS

Debt obligations of the District at June 30, 2014 consisted of the following:

		Balance			Balance	Amount
		Outstanding			Outstanding	Due in
		<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>	<u>One Year</u>
<u>General Obligation Bonds:</u>						
2001 School Improvement Bonds						
Capital appreciation bonds	13.017-13.015%	\$ 137,347		\$ (71,980)	\$ 65,367	\$ 65,367
Accretion of interest		308,938	\$ 32,422	(173,020)	168,340	168,340
2011 Refunding Bonds						
Current interest serial bonds	1.00-3.90%	2,950,000		(55,000)	2,895,000	55,000
Capital appreciation bonds	29.39%	139,993			139,993	
Accretion of interest		138,021	81,364		219,385	
Judgment Loan Payable		2,881,865		(242,453)	2,639,412	256,144
Total Debt Obligations		<u>\$ 6,556,164</u>	<u>\$ 113,786</u>	<u>\$ (542,453)</u>	<u>\$ 6,127,497</u>	<u>\$ 544,851</u>

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 Serial Bonds were advance refunded in 2010. The Term Bonds matured in 2011. The outstanding Capital Appreciation Bonds will be retired with a voted property tax levy from the debt service fund. Detail of the Capital Appreciation Bonds is listed below:

2001 Capital Appreciation Bonds - The Capital Appreciation Bonds 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, 2014, is \$233,707. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt outstanding at June 30, 2014 is as follows:

Fiscal Year Ending June 30	Capital Appreciation G.O. Bonds (Series 2001)		
	Principal	Interest	Total
2015	<u>\$ 65,367</u>	<u>\$ 179,633</u>	<u>\$ 245,000</u>

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEBT OBLIGATIONS (Continued)

The refunding issue is comprised of both current interest bonds, par value \$3,110,000 and capital appreciation bonds par value \$139,993. The interest rates on the current interest bonds range from 1.00% - 3.90%. The capital appreciation bonds mature on December 1, 2015 and December 31, 2016 (actual interest rate 27.394%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2015 and December 31, 2016 are \$300,000 and \$295,000, respectively. Total accreted interest of \$219,385 has been included on the debt schedule at June 30, 2014.

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

The reacquisition price exceeded the net carrying amount of the old debt by \$268,038. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments \$265,552 and resulted in an economic gain of \$207,615.

The following is a summary of the future debt service requirements to maturity for the series 2011 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 55,000	\$ 92,090	\$ 147,090	\$ 65,367	\$ 179,633	\$ 245,000
2016	-	91,650	91,650	79,512	220,488	300,000
2017	-	91,650	91,650	60,481	234,519	295,000
2018	295,000	87,815	382,815	-	-	-
2019	305,000	79,405	384,405	-	-	-
2020 - 2024	1,665,000	248,513	1,913,513	-	-	-
2025 - 2029	575,000	57,003	632,003	-	-	-
Total	\$ 2,895,000	\$ 748,126	\$ 3,643,126	\$ 205,360	\$ 634,640	\$ 840,000

Judgment Loan Payable - On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit, which was filed as the result of an accident involving a District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	Judgment Loan
2015	\$ 256,144
2016	262,547
2017	269,111
2018	275,839
2019	282,735
2020 - 2023	1,293,036
Total	\$ 2,639,412

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. DEBT OBLIGATIONS (Continued)

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

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$12,652,196 (including available funds of \$996,093) and an unvoted debt margin of \$162,405.

8. 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 2014, the District contracted with Ohio Casualty Company for property, fleet, violence and liability insurance in the amounts as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

Specific Coverage	
General Aggregate	\$ 2,000,000
Products/Completed Operations Aggregate	2,000,000
Personal & Advertising Injury	1,000,000
Each Occurrence	1,000,000
Fire Damage Liability	300,000
Medical Payments (Excluding Students)	15,000
Employee Benefits Liability	
Each Employee	1,000,000
Aggregate	3,000,000
Sexual Misconduct & Molestation Liability	
Each Loss Limit	1,000,000
Aggregate	1,000,000
Innocent Party Defense	300,000
School Leaders Errors & Omissions Liability	
Each Wrongful Act Limit	1,000,000
Aggregate	1,000,000
Non-Monetary Relief Defense	100,000
Limited Fiduciary Liability Extension of School 403(b) Plans	1,000,000
Employee Stop Gap Liability – Extended	
Bodily Injury by Accident (each accident limit)	1,000,000
Bodily Injury by Disease (policy limit)	1,000,000
Bodily Injury by Disease (each employee limit)	1,000,000
Aggregate Limit	2,000,000
Crime Coverage	
Blanket Public Employee Dishonesty	50,000
Forgery or Alteration	50,000
Theft, Disappearance & Destruction	
Inside Limit	50,000
Outside Limit	50,000
Computer Fraud	100,000
Inland Marine	
Commercial Computer Coverage	1,300,000
Schedule Property Floater (Audio/Musical/Misc)	100,000 each
Automobile	
Owned/Leased/Hired Vehicles	1,000,000 each
Medical Payments	5,000
Uninsured Motorist	1,000,000
Comprehensive	1,000,000
Hired Car Physical Damage	75,000
Auto Extension Endorsement	4,500/deductible
Replacement Cost for buses	
Comprehensive	1,000/deductible
Collision	1,000/deductible
Umbrella	
Each occurrence	4,000,000
Aggregate	4,000,000

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since fiscal year 2013.

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.

3. Workers' Compensation

For fiscal year 2014, the District's Workers' Compensation managed care organization is contracted with Sheakley Worker's Compensation. The District did not qualify for a Group Rating Program (GRP) due to prior claims. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

9. PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$171,598, \$168,149 and \$164,040, respectively; 82.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State.

Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$475,009, \$465,431 and \$456,771, respectively; 83.70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plan for fiscal year 2014 were \$17,894 made by the District and \$14,059 made by the plan members.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. PENSION PLANS (Continued)

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, 2014, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$21,088, \$23,495 and \$28,973, respectively; 82.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$9,955, \$9,498 and \$7,104, respectively; 82.90 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$36,539, \$35,802 and \$35,136, respectively; 83.70 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

11. STATUTORY RESERVES

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

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

	Capital Improvements
Current year set-aside requirement	\$ 160,429
Current year offsets	(235,345)
Total	\$ (74,916)

12. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative ("NOACSC") is a jointly governed organization among forty-seven 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

Northwest Ohio Special Education Regional Resource Center - The Northwest 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.

State Support Team Region 1 - The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Educational Service Center of Lake Erie West is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

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, at 818 North Franklin Street, Van Wert, Ohio 45891.

13. GROUP PURCHASING POOLS

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. GROUP PURCHASING POOLS (Continued)

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

14. INTERFUND TRANSACTIONS

A. Advances in/advances out consisted of the following at June 30, 2014 as reported on the fund statement:

<u>Advances In</u>	<u>Advances Out</u>	<u>Amount</u>
General Fund	Expanding Advance Placement Fund	\$ 16,800
General Fund	Title I Fund	17
General Fund	Twenty First Century Grant Fund	54
Title II-A Fund	General Fund	1,239
Lunchroom Fund	General Fund	24,000
Straight A Fund	General Fund	15,083
Title VI-B Fund	General Fund	21,574
Race to the Top	General Fund	8,642
Title I Fund	General Fund	92
Preschool for the Handicap	General Fund	1,150
		<hr/>
Total		<u>\$ 88,651</u>

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. Advances in to the general fund in the amount of \$16,871 were repayment of prior year advances. The remaining advances will be repaid once the anticipated revenues are received.

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

B. Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Permanent Improvement Fund	\$ 227,397
Expanding Advance Placement Fund	7,947
	<hr/>
Total	<u>\$ 235,344</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

14. INTERFUND TRANSACTIONS

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

15. 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, 2013.

16. BUDGETARY BASIS

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Cash Balance

	<u>General fund</u>
Cash basis	\$ 1,048,156
Funds budgeted elsewhere	17,274
Adjustment for encumbrances	<u>(84,548)</u>
Budget basis	<u>\$ 980,882</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Uniform School Supplies Fund, Public School Support Fund, Special Trust Fund, Rotary Fund and Termination Benefits Funds.

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

17. COMMITMENTS

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

<u>Fund</u>	<u>Year-end Encumbrances</u>
General fund	\$ 84,548
Permanent improvement fund	28,812
Other governmental	<u>43,087</u>
Total	<u>\$ 156,447</u>

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
National School Lunch Program			
Cash Assistance	10.555	\$162,854	\$162,854
Non-Cash Assistance (Food Distribution)	10.555	24,404	24,404
Total National School Lunch Program		<u>187,258</u>	<u>187,258</u>
School Breakfast Program	10.553	<u>30,297</u>	<u>30,297</u>
Total United States Department of Agriculture		<u>217,555</u>	<u>217,555</u>
UNITES STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	155,124	149,269
Special Education Cluster:			
Special Education Grants to States	84.027	193,452	215,026
Special Education Preschool Grants	84.173	<u>11,056</u>	<u>12,206</u>
Total Special Education Cluster		204,508	227,232
Twenty-First Century Community Learning Centers	84.287	80,071	82,294
Improving Teacher Quality State Grants	84.367	42,237	43,476
ARRA - Race to the Top Incentive Grants	84.395	<u>21,617</u>	<u>34,297</u>
Total United States Department of Education		<u>503,557</u>	<u>536,568</u>
Total Federal Awards Receipts and Expenditures		<u><u>\$721,112</u></u>	<u><u>\$754,123</u></u>

The accompanying notes are an integral part of this schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Wayne Trace Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note A describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals. The amount passed through to its subrecipient was \$82,294.

NOTE C - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE D – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Entity's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Wayne Trace Local School District, Paulding County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Wayne Trace Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Wayne Trace Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 24, 2015

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA #10.555 Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office, other than a state agency, 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 Admin. Code § 117-2-03 (B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

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

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

Officials' Response: At this time, the Wayne Trace Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement. The District is aware that it may be subject to a fine for not complying with the requirement of filing the district's financial reports based on GAAP.

FINDING NUMBER 2014-002

Material Weakness - Cash Reconciliations

The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Treasurer. The Treasurer did not reconcile the bank accounts from December 2013 through June 2014. The District hired an independent accounting firm which found \$20,320 in errors which were subsequently corrected in order to reconcile the accounts as of June 30, 2014.

Failure to perform month end reconciliations which reconciles the District's total bank account balances to the general ledger system fund balance total greatly increases the likelihood that posting errors can be made to the accounting system and possibly cause material unreconciled differences or irregularities to occur and not be detected.

In an effort to help ensure financial activity of the District is being properly accounted for and reported, we recommend:

- The Treasurer perform a reconciliation each month by preparing a spreadsheet using information to show the beginning cash fund balance total plus revenues less disbursements to obtain the overall ending cash fund balance. This ending fund balance should agree to the cash reconciliation of all of the District's bank accounts.
- The Treasurer present the monthly bank reconciliations to the Board as evidence that all bank balances have been reconciled to the USAS fund balance total each month without significant adjusting factors on the reconciliation.

The Board should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit.

The Treasurer's' monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Board.

Officials' Response: The District will perform month end reconciliations that will reconcile back to the cash fund ledger. The reconciliation will be presented to the board for approval each month. The Treasurer will review those reports with the board prior to approval. The Treasurer will ask the Board President to initial the report after approval by the board.

3. FINDINGS FOR FEDERAL AWARDS

None

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) for not preparing the annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as Finding 2014-001 in this report.
2013-002	Material weakness due to errors in the financial statements.	No	Partially Corrected. Reissued in management letter.

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Dave Yost • Auditor of State

WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 10, 2015**