



**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Wayne Local School District
Warren County
659 Dayton Road
Waynesville, Ohio 45068

To the Board of Education:

We have audited the accompanying general-purposes financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Local School District, Warren County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 12, 2001

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**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS					
ASSETS:					
Equity in pooled cash and cash equivalents	\$212,957	\$178,915	\$125,564	\$477,022	\$26,351
Receivables (net of allowances of uncollectibles):					
Property taxes - current & delinquent . .	3,301,112		605,366	157,108	
Accounts	73				
Accrued interest	107				
Due from other governments	7,250	31,925			
Prepayments	14,997				447
Materials and supplies inventory					3,425
Restricted assets:					
Equity in pooled cash and cash equivalents.	248,995				
Property, plant and equipment (net of accumulated depreciation where applicable)					65,829
OTHER DEBITS:					
Amount available in Debt Service Fund .					
Amount to be provided for retirement of General Long-Term Obligations.					
Total assets and other debits	<u>\$3,785,491</u>	<u>\$210,840</u>	<u>\$730,930</u>	<u>\$634,130</u>	<u>\$96,052</u>

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Trust and Agency			\$1,076,390
			4,063,586
			73
			107
			39,175
			15,444
			3,425
			248,995
	\$15,564,618		15,630,447
		\$187,825	187,825
		<u>7,779,598</u>	<u>7,779,598</u>
<u>\$55,581</u>	<u>\$15,564,618</u>	<u>\$7,967,423</u>	<u>\$29,045,065</u>

Continued

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)

	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
LIABILITIES, EQUITY AND OTHER CREDITS					
LIABILITIES:					
Accounts payable	\$15,840	\$1,955		\$3,795	\$144
Accrued wages and benefits	588,774	14,442			13,368
Compensated absences payable	56,228				6,561
Pension obligation payable	110,276	250			24,461
Deferred revenue	2,984,142		\$543,105	141,544	2,510
Due to students					
General obligation bonds payable					
Total liabilities	<u>3,755,260</u>	<u>16,647</u>	<u>543,105</u>	<u>145,339</u>	<u>47,044</u>
EQUITY AND OTHER CREDITS:					
Investment in general fixed assets					
Contributed capital					52,363
Accumulated deficit					(3,355)
Fund balances:					
Reserved for encumbrances	21,482	37,868		78,385	
Reserved for prepayments	14,997				
Reserved for debt service			125,564		
Reserved for tax revenue unavailable for appropriation	316,970		62,261	15,564	
Reserved for budget stabilization	248,995				
Unreserved-undesignated	<u>(572,213)</u>	<u>156,325</u>		<u>394,842</u>	
Total equity and other credits	<u>30,231</u>	<u>194,193</u>	<u>187,825</u>	<u>488,791</u>	<u>49,008</u>
Total liabilities, equity and other credits	<u>\$3,785,491</u>	<u>\$210,840</u>	<u>\$730,930</u>	<u>\$634,130</u>	<u>\$96,052</u>

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
			\$21,734
			616,584
		\$363,089	425,878
		54,334	189,321
			3,671,301
\$38,340			38,340
		7,550,000	7,550,000
<u>38,340</u>		<u>7,967,423</u>	<u>12,513,158</u>
	\$15,564,618		15,564,618
			52,363
			(3,355)
1,690			139,425
			14,997
			125,564
			394,795
			248,995
<u>15,551</u>			<u>(5,495)</u>
<u>17,241</u>	<u>15,564,618</u>		<u>16,531,907</u>
<u>\$55,581</u>	<u>\$15,564,618</u>	<u>\$7,967,423</u>	<u>\$29,045,065</u>

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$3,268,696		\$601,376	\$160,151		\$4,030,223
Tuition	905					905
Earnings on investments	53,296	\$1,611		65,196		120,103
Gifts and Donations	96,886	212,702		6,000	\$10,986	326,574
Other revenue	95					95
Intergovernmental - State	3,745,291	125,099	69,583	17,468		3,957,441
Intergovernmental - Federal		132,326				132,326
Total revenue	7,165,169	471,738	670,959	248,815	10,986	8,567,667
Expenditures:						
Current:						
Instruction:						
Regular	3,692,802	133,828			165	3,826,795
Special	354,347	87,922				442,269
Vocational	44,955					44,955
Other	118,563			99,092		217,655
Support services:						
Pupil	395,226	34,375				429,601
Instructional staff	280,213	41,863				322,076
Board of Education	29,006					29,006
Administration	545,130	1,258	5	230		546,623
Fiscal	244,300		9,037	2,216		255,553
Business	68,194					68,194
Operations and maintenance	543,703	12,445		191,199		747,347
Pupil transportation	369,513					369,513
Central	33,218	4,983				38,201
Community services		15,971				15,971
Extracurricular activities	118,314	147,592			11,658	277,564
Capital Outlay				1,352,211		1,352,211
Debt service:						
Principal retirement			145,000			145,000
Interest and fiscal charges			459,723	43		459,766
Total expenditures	6,837,484	480,237	613,765	1,644,991	11,823	9,588,300
Excess (deficiency) of revenues over (under) expenditures	327,685	(8,499)	57,194	(1,396,176)	(837)	(1,020,633)
Other financing sources (uses):						
Operating transfers in				39,688		39,688
Operating transfers out	(39,688)					(39,688)
Proceeds from sale of assets	6,650					6,650
Total other financing sources (uses)	(33,038)			39,688		6,650
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	294,647	(8,499)	57,194	(1,356,488)	(837)	(1,013,983)
Fund balance (Deficit), July 1 (Restated)	(264,416)	202,692	130,631	1,845,279	18,078	1,932,264
Fund balance, June 30	\$30,231	\$194,193	\$187,825	\$488,791	\$17,241	\$918,281

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,067,967	\$3,100,363	\$32,396				\$558,050	\$567,870	\$9,820	\$148,700	\$151,823	\$3,123	\$3,774,717	\$3,820,056	\$45,339
Tuition.....		905	905											905	905
Earnings on investments.....	55,000	58,260	3,260	\$203	\$1,651	\$1,448				4,200	71,970	67,770	59,403	131,881	72,478
Gifts and Donations.....	56,040	64,130	8,090	194,634	212,703	18,069				10,679	6,000	(4,679)	261,353	282,833	21,480
Other revenue.....	100	95	(5)										100	95	(5)
Intergovernmental - State.....	3,638,647	3,738,041	99,394	89,849	95,099	5,250	59,575	69,583	10,008	15,000	17,468	2,468	3,803,071	3,920,191	117,120
Intergovernmental - Federal.....				122,687	134,404	11,717							122,687	134,404	11,717
Total revenues.....	6,817,754	6,961,794	144,040	407,373	443,857	36,484	617,625	637,453	19,828	178,579	247,261	68,682	8,021,331	8,290,365	269,034
Expenditures:															
Current:															
Instruction:															
Regular.....	3,681,802	3,713,632	(31,830)	187,817	153,519	34,298				20,000		20,000	3,889,619	3,867,151	22,468
Special.....	295,903	357,438	(61,535)	87,335	85,556	1,779							383,238	442,994	(59,756)
Vocational.....	73,587	51,022	22,565										73,587	51,022	22,565
Other.....	22,160	76,336	(54,176)	10,000	5,500	4,500				147,154	129,802	17,352	179,314	211,638	(32,324)
Support services:															
Pupil.....	369,564	403,364	(33,800)	37,239	34,962	2,277				0	0		406,803	438,326	(31,523)
Instructional staff.....	257,895	282,499	(24,604)	42,041	38,496	3,545							299,936	320,995	(21,059)
Board of Education.....	20,681	31,468	(10,787)							0	0		20,681	31,468	(10,787)
Administration.....	537,051	569,638	(32,587)	3,260	2,258	1,002	100	5	95	300	230	70	540,711	572,131	(31,420)
Fiscal.....	244,499	249,273	(4,774)				9,950	9,037	913	2,500	2,216	284	256,949	260,526	(3,577)
Business.....	72,959	74,179	(1,220)										72,959	74,179	(1,220)
Operations and maintenance.....	590,422	564,720	25,702	12,440	12,440	0				266,193	220,847	45,346	869,055	798,007	71,048
Pupil transportation.....	498,439	383,184	115,255										498,439	383,184	115,255
Central.....	41,005	38,402	2,603	5,191	5,191	0							46,196	43,593	2,603
Community services.....				19,224	16,540	2,684				0	0		19,224	16,540	2,684
Extracurricular activities.....	121,773	123,216	(1,443)	203,006	168,603	34,403							324,779	291,819	32,960
Capital Outlay.....										1,650,845	1,429,656	221,189	1,650,845	1,429,656	221,189
Debt service:															
Principal retirement.....							145,000	145,000	0	39,726	39,726	0	184,726	184,726	0
Interest and fiscal charges.....							460,000	459,723	277	2,000	1,986	14	462,000	461,709	291
Total expenditures.....	6,827,740	6,918,371	(90,631)	607,553	523,065	84,488	615,050	613,765	1,285	2,128,718	1,824,463	304,255	10,179,061	9,879,664	299,397
Excess (deficiency) of revenues over (under) expenditures.....	(9,986)	43,423	53,409	(200,180)	(79,208)	120,972	2,575	23,688	21,113	(1,950,139)	(1,577,202)	372,937	(2,157,730)	(1,589,299)	568,431
Other financing sources (uses):															
Refund of prior year's expenditures.....		18,611	18,611											18,611	18,611
Operating transfers in.....		50,044	50,044							42,000	39,688	(2,312)	42,000	89,732	47,732
Operating transfers (out).....	(91,000)	(89,732)	1,268										(91,000)	(89,732)	1,268
Advances (out).....	(15,000)		15,000							0	0		(15,000)	0	15,000
Proceeds of sale of fixed assets.....	4,525	6,650	2,125										4,525	6,650	2,125
Pass through payments.....	(75,000)		75,000										(75,000)		75,000
Total other financing sources (uses).....	(176,475)	(14,427)	162,048							42,000	39,688	(2,312)	(134,475)	25,261	159,736
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(186,461)	28,996	215,457	(200,180)	(79,208)	120,972	2,575	23,688	21,113	(1,908,139)	(1,537,514)	370,625	(2,292,205)	(1,564,038)	728,167
Fund balances, July 1.....	266,843	266,843	0	173,748	173,748	0	101,876	101,876	0	1,506,245	1,506,245	0	2,048,712	2,048,712	0
Prior year encumbrances appropriated.....	117,979	117,979	0	45,013	45,013	0				426,111	426,111	0	589,103	589,103	0
Fund balances, June 30.....	\$198,361	\$413,818	\$215,457	\$18,581	\$139,553	\$120,972	\$104,451	\$125,564	\$21,113	\$24,217	\$394,842	\$370,625	\$345,610	\$1,073,777	\$728,167

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees.	\$76,645
Sales/charges for services.	271,725
	348,370
Operating expenses:	
Personal services	203,215
Contract services	39,525
Materials and supplies.	143,306
Depreciation.	7,016
	393,062
Operating loss	(44,692)
Nonoperating revenues:	
Operating grants	25,067
Federal commodities	18,551
Interest revenue.	347
	43,965
Net loss	(727)
Accumulated deficit July 1 (Restated).	(2,628)
Accumulated deficit June 30.	(\$3,355)

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$76,645
Cash received from sales/service charges	271,725
Cash payments for personal services.	(192,600)
Cash payments for contract services	(40,512)
Cash payments for supplies and materials	(139,315)
Net cash used in operating activities.	(24,057)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	25,067
Net cash provided by noncapital financing activities.	25,067
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,385)
Net cash used in capital and related financing activities	(2,385)
Cash flows from investing activities:	
Interest received	386
Net cash provided by investing activities.	386
Net decrease in cash and cash equivalents.	(989)
Cash and cash equivalents at beginning of year.	27,340
Cash and cash equivalents at end of year	\$26,351
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$44,692)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,016
Federal donated commodities	18,551
Changes in assets and liabilities:	
Decrease in supplies inventory	1,602
Decrease in prepayments	1,325
Decrease in accounts payable	(7,345)
Decrease in accrued wages & benefits.	(2,653)
Decrease in compensated absences payable	(9,511)
Increase in pension obligation payable	12,701
Decrease in deferred revenue	(1,051)
Net cash used in operating activities.	(\$24,057)

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

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**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Wayne Local School District (the "District") is located in Wayne County and is located in the Village of Waynesville. The District serves an area of approximately 47 square miles.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 413th largest by enrollment among the 660 public and community school districts in the State. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 45 non-certified, 86 certified (including administrative) full-time and part-time employees to provide services to approximately 1,343 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wayne Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For 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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Dayton Area Superintendent's Association

The Dayton Area Superintendent's Association (DASA) is an organization formed by the area school Superintendents. The purpose of the organization is to serve as a forum for practicing Superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team. Membership in the organization is open to the Greater Dayton area school system Superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Montgomery, Preble, Shelby, and Warren Counties. The Executive committee is comprised of eight representatives of the DASA members school or institution. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees as established by the Executive Committee. During fiscal year 2000 the District paid \$10 to DASA from the General fund. To obtain financial information, write to DASA, Executive Secretary, 451 West Third Street, Dayton, Ohio 45422-1040.

Warren County Career Center

The Warren County Career Center (the "Career Center") is a distinct political subdivision of the State of Ohio operated under the direction of a Board which consists of one representative from each of the participating school districts' elected board. The Career Center possesses its own budgeting and taxing authority. To obtain financial information, write to The Warren County Career Center, Ms. Evelyn Sellman, Treasurer, at 3525 State Route 48, Lebanon, Ohio 45036.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 13 counties. The EPC acts as its own fiscal agent and is a Regional Council of Governments. The purpose of the Council 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 SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time the withdrawing member is liable for all member obligations. During fiscal 2000, payments to SOEPC of \$838 were made from the General fund. To obtain information, write to the SOEPC, Robert Brown, who serves as the director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not for profit corporation formed under the Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives from the SOITA member schools or institutions. Nineteen representatives are elected by the qualified members from within the participating counties; i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties elect two representatives per area. All superintendents, except for those from educational service centers, vote on the election of nominated representatives. One at-large representative is elected by the non-public school SOITA members from within the State assigned SOITA service area, and one at-large representative is elected by higher education SOITA members from within the State assigned SOITA service area.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to the state or local government, for a public purpose. Payments to SOITA are made from the General fund. During fiscal year 2000, the District paid \$931 to SOITA. To obtain information, write to the Southwestern Ohio Instructional Technology Association, Director, 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization between a three county consortium of school 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 SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the jointly governed agreement stipulates that the participants have a future claim to the net resources of SWOCA upon dissolution. The agreement sets forth the method to determine each members' proportionate share.

Related Organization

The Mary L. Cook Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. A Board of Trustees appointed by the Wayne Local School District Board of Education governs the Library. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax (at well as its rate and purpose) are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Mary L. Cook Public Library, 381 Old Stage Road, Waynesville, Ohio 45068.

The District is also part of a public entity risk pool for workers' compensation insurance, described in Note 11.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

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

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

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred, with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

D. Budgets

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 appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000 in the following amounts:

	<u>Increase</u>
General Fund	\$131,049
Special Revenue Funds	286,495
Enterprise Funds	56,650
Expendable Trust	<u>1,500</u>
Total	<u>\$475,694</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 12 to the financial statements.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and a money market mutual fund.

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

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, 2000.

By policy of the Board of Education, investment earnings are assigned to the General fund, Education Foundation fund, District Managed Student Activity, Building fund and Food Service fund. The following funds were credited more interest than would have been received based upon their share of the District's investments during fiscal 2000:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General Fund	\$53,296	\$24,671	\$28,625
<u>Capital Projects Funds</u>			
Building	65,196	56,457	8,739
<u>Enterprise Funds</u>			
Food Service	347	313	34

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

F. Inventory

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period-end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the General Fixed Assets Account Group. Interest on debt issued to construct general fixed assets is not capitalized in the account group. The District has not included infrastructure in the General Fixed Asset Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5-20

I. Intergovernmental Revenues

In Governmental funds, intergovernmental revenues such as entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as non-operating revenues in the accounting period in which they are measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

- General Fund
- State Foundation Program
- State Property Tax Relief

- Debt Service Fund
- State Property Tax Relief

- Capital Projects Funds
- State Property Tax Relief

Non-Reimbursable Grants (cont.)

- Special Revenue Funds (cont.)
- Ohio Reads
- PreSchool for the Handicapped
- Telecommunications Act Grant
- Miscellaneous Federal Grants

Capital Projects Funds

- School Net

Non-Reimbursable Grants

- Special Revenue Funds
- Teacher Development
- Early Childhood Grant
- Management Information Systems
- Education for Economic Security
- Title I
- Title VI
- Drug-Free Schools
- Title VI-B
- School Net Professional Development

Reimbursable Grants

- General Fund
- School Bus Purchases
- Driver Education
- Vocational Education Travel/Salary

- Proprietary
- National School Lunch Program
- National School Milk Program
- Adult Education

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

Grants and entitlements amounted to approximately 46% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty years of age, with at least ten years of service, or fifteen years of service at any age were included.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

K. Long-Term Obligations

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

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

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepaid assets, debt service, budget stabilization, and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Statutory Reserves

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 1999	\$ 0	\$ 0	\$194,727
Current year set-aside requirement	165,347	165,347	54,268
Current year offsets		(165,347)	

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

Qualifying disbursements	<u>(233,614)</u>	_____	_____
Total	<u>(68,267)</u>	_____ 0	<u>248,995</u>
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$248,995</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$248,995</u>
Total restricted assets	<u>\$248,995</u>

N. 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. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. There were no such transactions during the fiscal year.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year. There were no such transactions during the fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense. There were no such transactions during the fiscal year.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed. There were no such transactions during the fiscal year.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. There were no such transactions during the fiscal year.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

O. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. Contributed capital did not change during fiscal year 2000.

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

(FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. M. for statutory reserves.

S. Estimates

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

T. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$(11,578)
<u>Enterprise Fund</u>	
Food Service	(50,750)

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

B. Budgetary Non-Compliance

The following fund accounts had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Function</u>	<u>Excess</u>
<u>General Fund</u>	
Regular Instruction	\$31,830
Special Instruction	61,535
Other Instruction	54,176
Pupil	33,800
Instructional Staff	24,604
Board of Education	10,787
Administration	32,587
Fiscal	4,774
Business	1,220
Extracurricular Activities	1,443

C. Fund Reclassification and Error Correction - Enterprise Fund

During fiscal 2000, the District decided to incorporate the activity of the Uniform School Supplies Enterprise fund into the General fund. Also, the accumulated depreciation was in error by \$18,007 at June 30, 1999. The effect of this fund reclassification on fund balance/retained earnings as previously reported at June 30, 1999 is as follows:

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>General</u>	<u>Enterprise</u>
Fund (deficit)/(accumulated deficit) as previously reported, June 30, 1999	\$(283,730)	\$ (1,321)
Fund reclassification	19,314	(19,314)
Accumulated Depreciation Adjustment	<u>0</u>	<u>18,007</u>
Restated fund (deficit)/(accumulated deficit) at July 1, 1999	<u>\$(264,416)</u>	<u>\$(2,628)</u>

D. Change in Basis of Accounting

In prior years, the District has reported Agency funds using the modified accrual basis of accounting. For fiscal 2000, Agency funds are reported using the budget (cash) basis of accounting. No restatement is required because Agency funds do not report results of operations. There were no material receivables in the Agency funds at June 30, 2000.

NOTE 4 - EQUITY IN POOLED CASH 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 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 accounts, including passbook accounts.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt instruments 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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was \$(93,278) and the bank balance was \$5,923 (both amounts are exclusive of payroll clearance accounts). The entire bank balance was covered by federal deposit insurance.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Money Market	\$520,860	\$ 520,860
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool		897,803
Total Investments	<u>\$520,860</u>	<u>\$1,418,663</u>

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet per GASB Statement No. 9, and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,325,385	
Investments of the Cash Management Pool:		
Money Market	(520,860)	\$ 520,860
State Treasurer's Investment Pool	(897,803)	897,803
GASB Statement No. 3	\$ (93,278)	\$1,418,663

NOTE 5 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	Transfers In	Transfers (Out)
General Fund		\$(39,688)
<u>Capital Projects Funds</u>		
Permanent Improvement	\$39,688	_____
Totals	\$39,688	\$(39,688)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected were as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$106,867,680	89.46%	\$110,579,780	89.68%
Public Utility Personal	9,453,370	7.91%	9,564,280	7.75%
Tangible Personal Property	3,136,216	2.63%	3,163,790	2.57%
	<u>\$119,457,266</u>	<u>100.00%</u>	<u>\$123,307,850</u>	<u>100.00%</u>

Tax rate per \$1,000 of
assessed valuation:

Operations	\$43.20	\$47.70
Debt Service	5.20	5.20
Permanent Improvements	2.00	2.00

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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

The Warren and Greene County Treasurers collect property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$316,970 in the General fund, \$62,261 in the Debt Service fund and \$15,564 in the Permanent Improvements fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,301,112
Due from other governments	7,250

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 7 - RECEIVABLES (Continued)

<u>Special Revenue Funds</u>	
Due from other governments	31,925
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	605,366
 <u>Capital Projects Fund</u>	
Taxes - Current and Delinquent	157,108

NOTE 8 - FIXED ASSETS

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2000</u>
Land/				
Improvements	\$ 615,506	\$ 41,311		\$ 656,817
Buildings	10,964,388	15,378		10,979,766
Furniture/				
Equipment	2,493,699	40,459		2,534,158
Vehicles	430,619			430,619
Construction in progress	<u> </u>	<u>963,258</u>	<u> </u>	<u>963,258</u>
Total	<u>\$14,504,212</u>	<u>\$1,060,406</u>	<u> </u>	<u>\$15,564,618</u>

A summary of the Proprietary Fund fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 154,871
Less Accumulated Depreciation	<u>(89,042)</u>
Net Fixed Assets	<u>\$ 65,829</u>

NOTE 9 - NOTES PAYABLE

During fiscal 2000, the District retired a School Energy Conservation note which was used for the purpose of providing energy conservation measures for the District. Debt service activity for this note has been reported in the Permanent Improvements fund, which received the proceeds upon issuance.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 9 - NOTES PAYABLE (Continued)

The following is a description of the District's energy conservation note at June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	Notes <u>Outstanding 07/01/1999</u>	<u>Additions in 2000</u>	<u>Retired in 2000</u>	Notes <u>Outstanding 06/30/2000</u>
Energy							
Conservation Note	5.00%	7/8/98	7/9/99	\$39,726	\$ 0	\$(39,726)	\$ 0
Total				<u>\$39,726</u>	<u>\$ 0</u>	<u>\$(39,726)</u>	<u>\$ 0</u>

NOTE 10 - LONG-TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 5.20 mill bonded debt tax levy.

A. The following is a description of the District's bonds outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 7/01/99</u>	<u>Retired in Fiscal 2000</u>	Bonds <u>Outstanding 06/30/2000</u>
Construction	5.946%	5/22/96	12/01/24	\$7,695,000	\$(145,000)	\$7,550,000

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 10 - LONG-TERM DEBT - (Continued)

<u>Year Ending June 30</u>	<u>Principal on General Obligation Improvement Bonds</u>	<u>Interest on General Obligation Improvement Bonds</u>	<u>Total</u>
2001	\$ 165,000	\$ 452,510	\$ 617,510
2002	210,000	443,592	653,592
2003	235,000	432,149	667,149
2004	265,000	418,524	683,524
2005	215,000	402,640	717,640
2006 - 2010	630,000	1,852,159	2,482,159
2011 - 2015	890,000	1,655,727	2,545,727
2016 - 2020	1,780,000	1,234,324	3,014,324
2021 - 2025	<u>3,060,000</u>	<u>503,557</u>	<u>3,563,557</u>
Total	<u>\$7,550,000</u>	<u>\$7,395,182</u>	<u>\$14,945,182</u>

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated Absences	\$ 454,076	\$32,312	\$(123,299)	\$ 363,089
General Obligation Debt	7,695,000		(145,000)	7,550,000
Pension Obligation	<u>25,338</u>	<u>54,334</u>	<u>(25,388)</u>	<u>54,334</u>
Total	<u>\$8,174,414</u>	<u>\$86,646</u>	<u>\$(293,637)</u>	<u>\$7,697,423</u>

D. 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.

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 10 - LONG-TERM DEBT - (Continued)

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$3,735,532 (including available funds of \$187,825) and an unvoted debt margin of \$123,308.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2000, the District contracted with Nationwide Insurance Company for fleet and general liability insurance, and with Indiana Insurance for property and Inland Marine coverage.

Building and Contents - replacement cost (\$500 deductible)	\$14,552,259
Inland Marine Coverage (\$500 deductible)	Included above
Boiler & Machinery (\$500 deductible)	Included above
Automobile Liability	\$500,000 Each Accident
Uninsured Motorists	\$500,000
General Liability	
Per Occurrence	\$2,000,000
Total per Year	\$5,000,000

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 1999.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource. Medical/surgical benefits are provided by United Healthcare of Ohio and EPC Benefit Plan Trust. Dental benefits are provided through EPC Dental Plan Trust.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

SOEPC WORKER'S COMPENSATION GROUP RATING

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. For fiscal year 2000, the school participated in the Southwestern Ohio Educational Purchasing Council group rating plan. The intent of the plan is to achieve the benefit of a reduced premium for the School District by its grouping with other participants.

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 11 - RISK MANAGEMENT - (Continued)

Each participant pays its workers compensation premium to the State based on the group rate. Total savings are calculated and each participants individual performance is compared to the overall savings percentage of the group. A participant will than either receive money from or be required to contribute to the fund. The firm of Integrated Comp. Management handles the administrative, cost control, and actuarial services to the EPC.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and the Latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000:

	<u>Food Service</u>	<u>Latchkey Program</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$270,471	\$77,899	\$348,370
Depreciation Expense	25,525		25,525
Operating Loss	(62,958)	(243)	(63,201)
Non-operating Revenue:			
Operating grants	25,067		25,067
Donated federal commodities	18,551		18,551
Net Loss	(18,993)	(243)	(19,236)
Net Working Capital	(21,537)	11,038	(10,499)
Fixed Assets:			
Additions	2,385		2,385
Total Assets	35,685	23,851	59,536
Long-Term Liabilities			
Payable From Fund Revenues	6,163	159	6,322
Contributed Capital	52,363		52,363
Total Fund Equity	1,613	10,879	12,492
Encumbrances outstanding as of 6/30/00	256	153	409

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.50 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$183,170, \$139,594, and \$116,753, respectively; 53 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$86,136, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$620,975, \$492,074, and \$479,997, respectively; 86 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$86,144, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, members of the Board of Education have elected the School Employees Retirement System.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$354,843 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999 (the latest information available). As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, equaled \$92,138 during the 2000 fiscal year. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other Financing Uses**

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$ 28,996	\$(79,208)	\$23,688	\$(1,537,514)
Net Adjustment for Revenue Accruals	189,236	27,881	33,506	1,554
Net Adjustment for Expenditure Accruals	57,431	3,465		97,293
Net Adjustment for Other Financing Sources/(Uses)	(18,611)			
Net Adjustment for Fund Reclassification	7,737			
Adjustment for Encumbrances	<u>29,858</u>	<u>39,363</u>	<u> </u>	<u>82,179</u>
GAAP Basis	<u>\$294,647</u>	<u>\$ (8,499)</u>	<u>\$57,194</u>	<u>\$(1,356,488)</u>

**WAYNE LOCAL SCHOOL DISTRICT
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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

A lawsuit is pending against the District. In management's opinion, any potential liability would not have a material effect on the financial statements.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$3,191,803 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 16 - CONTINGENCIES - (Continued)

State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 17 - CONTRACTUAL COMMITMENTS

At June 30, 2000, the District had the following outstanding contractual commitments related to its building construction:

<u>Purpose</u>	<u>Contractor</u>	<u>Amount</u>
New Elementary School	Alt and Witzig	\$ 292
	Farnham	13,700
	G & R	6,260
	Geiler	3,125
	Griffith	4,737
	House	100,448
	Metro	3,105
	Mills	16,654
	Prathers	<u>7,500</u>
	Total contractual commitments	<u>\$155,821</u>



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

Wayne Local School District
Warren County
659 Dayton Road
Waynesville, Ohio 45068

To the Board of Education:

We have audited the general-purpose financial statements of Wayne Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10483-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 12, 2001.

Wayne Local School District
Warren County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the Board of Education, Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 12, 2001

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2000

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

FINDING NUMBER 2000-10483-001

Noncompliance Citation - Proper Encumbering

Ohio Rev. Code, Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Twenty two percent of the District's expenditures tested were not properly certified or encumbered prior to incurring the obligation. Neither of the two exceptions were used for these transactions. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.



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WAYNE LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2001**