



**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, 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.

Except as discussed in the following paragraph, 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.

The District did not provide sufficient documentation supporting the latchkey receipts recorded as tuition in the Enterprise Fund and we were unable to obtain sufficient information regarding these receipts or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Latchkey receipts represent 100% of the tuition line item in the Enterprise Fund.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to audit the District's tuition in the Enterprise Fund, 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, 1999, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 1999 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.

Jim Petro
Auditor of State

December 22, 1999

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Wayne Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types				Proprietary
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
<u>Assets and Other Debits :</u>					
<u>Assets:</u>					
Equity in Pooled Cash & Cash Equivalents	\$ 181,319	\$ 218,762	\$ 101,876	\$ 1,932,357	\$ 46,655
Receivables :					
Taxes	3,051,799	0	541,534	148,931	0
Accounts	68	0	0	0	0
Intergovernmental	0	4,000	0	0	0
Accrued Interest	5,071	40	0	6,774	38
Inventory Held for Resale	0	0	0	0	5,027
Prepaid Items	47,950	0	0	0	1,772
Restricted Assets :					
Equity in Pooled Cash & Cash Equivalents	194,727	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	52,453
<u>Other Debits:</u>					
Amount available in Debt Service					
Fund for Retirement of General Obligations	0	0	0	0	0
Amount to be provided from General Government Resources	0	0	0	0	0
<u>Total Assets & Other Debits</u>	3,480,934	222,802	643,410	2,088,062	105,945
<u>Liabilities, Fund Equity and other Credits :</u>					
<u>Liabilities:</u>					
Accounts Payable	36,914	8,139	0	32,258	7,489
Contracts Payable	0	0	0	27,099	0
Accrued Wages and Benefits	652,829	9,944	0	0	16,021
Compensated Absences Payable	15,401	0	0	0	16,072
Intergovernmental Payable	156,358	2,027	0	62	11,760
Deferred Revenue	2,903,162	0	512,779	141,695	3,561
Due to Students	0	0	0	0	0
Accrued Interest Payable	0	0	0	1,943	0
Energy Conservation Notes Payable	0	0	0	39,726	0
General Obligation Bonds Payable	0	0	0	0	0
<u>Total Liabilities :</u>	3,764,664	20,110	512,779	242,783	54,903
<u>Fund Equity and Other Credits :</u>					
Investment in General Fixed Assets	0	0	0	0	0
Contributed Capital	0	0	0	0	52,363
Retained Earnings :					
Unreserved	0	0	0	0	(1,321)
Fund Balance:					
Reserved for Encumbrances	80,201	38,896	0	368,280	0
Reserved for Prepaid Items	47,950	0	0	0	0
Reserved for Property Taxes	148,637	0	28,755	7,236	0
Reserved for Budget Stabilization	194,727	0	0	0	0
Unreserved:					
Undesignated (Deficit)	(755,245)	163,796	101,876	1,469,763	0
<u>Total Fund Equity and other Credits :</u>	(283,730)	202,692	130,631	1,845,279	51,042
<u>Total Liabilities, Fund Equity and other Credits :</u>	\$ 3,480,934	\$ 222,802	\$ 643,410	\$ 2,088,062	\$ 105,945

See accompanying notes to the General Purpose Financial Statements

Fiduciary	Account Groups			Totals
	Trust and Agency	General Fixed assets	General L-t Obligations	
\$ 43,844	\$ 0	\$ 0	\$ 0	\$ 2,524,813
0	0	0	0	3,742,264
0	0	0	0	68
0	0	0	0	4,000
0	0	0	0	11,923
0	0	0	0	5,027
0	0	0	0	49,722
0	0	0	0	0
0	0	0	0	194,727
0	14,504,212	0	0	14,556,665
0	0	130,631	0	130,631
0	0	8,043,783	0	8,043,783
<u>43,844</u>	<u>14,504,212</u>	<u>8,174,414</u>	<u>0</u>	<u>29,263,623</u>
971	0	0	0	85,771
0	0	0	0	27,099
0	0	0	0	678,794
0	0	454,076	0	485,549
0	0	25,338	0	195,545
0	0	0	0	3,561,197
24,795	0	0	0	24,795
0	0	0	0	1,943
0	0	0	0	39,726
0	0	7,695,000	0	7,695,000
<u>25,766</u>	<u>0</u>	<u>8,174,414</u>	<u>0</u>	<u>12,795,419</u>
0	14,504,212	0	0	14,504,212
0	0	0	0	52,363
0	0	0	0	0
0	0	0	0	(1,321)
0	0	0	0	0
0	0	0	0	487,377
0	0	0	0	47,950
0	0	0	0	184,628
0	0	0	0	194,727
<u>18,078</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>998,268</u>
<u>18,078</u>	<u>14,504,212</u>	<u>0</u>	<u>0</u>	<u>16,468,204</u>
<u>\$ 43,844</u>	<u>\$ 14,504,212</u>	<u>\$ 8,174,414</u>	<u>\$ 0</u>	<u>\$ 29,263,623</u>

Wayne Local School District
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTALS
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	Expendable Trust	MEMO ONLY
Revenues						
Intergovernmental	\$ 3,499,826	\$ 198,207	\$ 69,361	\$ 147,524	\$ 0	\$ 3,914,918
Interest	56,917	1,612	0	120,755	3	179,287
Tuition & fees	24,763	0	0	0	0	24,763
Rent	420	0	0	5,500	0	5,920
Extracurricular Activities	3,307	125,264	0	0	0	128,571
Gifts & donations	2,840	4,561	0	125,000	20,091	152,492
Customer Services	6,400	0	0	0	0	6,400
Property & other Local Taxes	3,042,153	0	571,408	145,308	0	3,758,869
Miscellaneous	10,926	53,409	0	0	300	64,635
Total Revenues	\$ 6,647,552	\$ 383,053	\$ 640,769	\$ 544,087	\$ 20,394	8,235,855
Expenditures :						
Current:						
Instruction:						
Regular	3,500,019	118,777	0	50,546	209	3,669,551
Special	322,790	67,548	0	0	0	390,338
Vocational	64,307	0	0	0	0	64,307
Adult/cont.	0	3,500	0	0	0	3,500
Other	94,136	3,909	0	38,960	0	137,005
Support Services:						
Pupils	371,097	24,399	0	0	0	395,496
Instructional Staff	262,196	16,728	0	0	499	279,423
Board of Education	15,817	0	0	0	0	15,817
Administration	549,637	0	92	282	0	550,011
Fiscal	230,289	0	9,265	2,188	0	241,742
Business	71,718	0	0	0	0	71,718
Operation & Maintenance	587,369	0	0	2,519,885	0	3,107,254
Pupil Transportation	372,794	0	0	0	0	372,794
Central	42,611	4,809	0	0	0	47,420
Non-Instructional Services	0	9,722	0	0	0	9,722
Extra-curricular Activities	121,709	117,533	0	0	10,962	250,204
Capital Outlay	0	0	0	(626,967)	0	(626,967)
Debt Service:						
Principal Retirement	0	0	125,000	0	0	125,000
Interest & Fiscal Charges	0	0	468,179	2,033	0	470,212
Total Expenditures	6,606,489	366,925	602,536	1,986,927	11,670	9,574,547
Excess of Revenues over (under) Expenditures	41,063	16,128	38,233	(1,442,840)	8,724	(1,338,692)
Other Financing Sources (Uses)						
Operating Transfers In	0	0	0	258,908	0	258,908
Refund of Prior Year Expenditures	3,167	0	0	0	0	3,167
Other Financing Sources	47	0	0	0	0	47
Operating Transfers out	0	0	(258,908)	0	0	(258,908)
Total Other Financing Sources(uses)	3,214	0	(258,908)	258,908	0	3,214
Excess of Revenues and Other Financing Sources Over/ (under) Expenditures and other Financing uses	44,277	16,128	(220,675)	(1,183,932)	8,724	(1,335,478)
Fund balances at Beg. Of year	(328,007)	186,564	351,306	3,029,211	9,354	3,248,428
Prior Year Encumbrances Appropriated						0
Fund Balances at End of Year	(283,730)	202,692	130,631	1,845,279	18,078	\$ 1,912,950

See accompanying notes to the General Purpose Financial Statements

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Wayne Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Budget & Actual (Budget Basis)
 All Governmental Fund Types
 and Expendable Trust Funds
 For the Fiscal Year Ended June 30, 1999

	<u>General Fund</u>			<u>Special Revenue</u>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Intergovernmental	\$ 3,499,826	\$ 3,499,826	\$ 0	\$ 195,430	\$ 197,590	\$ 2,160
Interest	57,316	57,316	0	1,727	1,727	0
Tuition & fees	23,619	24,829	1,210	0	0	0
Rent	420	420	0	0	0	0
Extracurricular Activities	3,307	3,307	0	125,505	125,539	34
Gifts & donations	2,840	2,840	0	4,561	4,561	0
Customer Services	6,333	6,333	0	0	0	0
Property & other Local Taxes	3,037,212	3,037,212	0	0	0	0
Miscellaneous	11,079	11,206	127	52,644	53,599	955
Total Revenues	\$ 6,641,952	\$ 6,643,289	\$ 1,337	\$ 379,867	\$ 383,016	\$ 3,149
Expenditures :						
Current:						
Instruction:						
Regular	3,523,454	3,519,976	3,478	182,788	144,143	38,645
Special	314,646	313,944	702	81,954	66,777	15,177
Vocational	72,764	72,145	619	5,000	0	5,000
Adult/cont.	0	0	0	5,000	3,500	1,500
Other	100,423	98,944	1,479	4,105	3,909	196
Support Services:			0	0		0
Pupils	363,426	362,160	1,266	25,067	24,874	193
Instructional Staff	266,758	264,941	1,817	25,296	15,024	10,272
Board of Education	19,068	18,702	366	0	0	0
Administration	542,278	540,500	1,778	0	0	0
Fiscal	239,105	233,099	6,006	0	0	0
Business	75,440	74,468	972	0	0	0
Operation & Maintenance	617,204	607,326	9,878	0	0	0
Pupil Transportation	444,994	431,184	13,810	0	0	0
Central	45,123	41,860	3,263	6,250	5,592	658
Non-Instructional Services	500	0	500	10,000	9,722	278
Extra-curricular Activities	124,917	118,600	6,317	148,130	130,292	17,838
Capital Outlay	0					
Debt Service:			0	0	0	0
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,750,100	6,697,849	52,251	493,590	403,833	89,757
Excess of Revenues over (under) Expenditures	(108,148)	(54,560)	53,588	(113,723)	(20,817)	92,906
Other Financing Sources (Uses)						
Operating Transfers In						
Refund of Prior Year Expenditures	3,166	3,166	0	0	0	0
Advances- In	2,824	2,824	0	0	0	0
Other Financing Sources	48	48	0	0	0	0
Operating Transfers out	0	0	0	0	0	0
Advances-Out			0	(2,824)	(2,824)	0
			0			0
Total Other Financing Sources(uses)	6,038	6,038	0	(2,824)	(2,824)	0
Excess of Revenues and Other Financing Sources Over/ (under) Expenditures and other Financing uses	(102,110)	(48,522)	53,588	(116,547)	(23,641)	92,906
Fund balances at Beg. Of year	122,160	122,160		171,746	171,746	
Prior Year Encumbrances Appropriated	184,591	184,591		25,643	25,643	
Fund Balances at End of Year	204,641	258,229	53,588	80,842	173,748	92,906

See accompanying notes to the General Purpose Financial Statements

DEBT SERVICE				CAPITAL PROJECTS				Trust			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 69,361	\$ 69,361	\$ 0		\$ 147,524	\$ 147,524	\$ 0		\$ 0	\$ 0	\$ 0	
0	0	0		127,312	127,312	0		42	42	0	
0	0	0		0	0	0		0	0	0	
0	0	0		5,500	5,500	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		125,000	125,000	0		20,091	20,091	0	
0	0	0		0	0	0		0	0	0	
569,166	569,166	0		145,153	145,153	0		0	0	0	
0	0	0		39,726	39,726	0		0	0	0	
\$ 638,527	\$ 638,527	\$ 0		\$ 590,215	\$ 590,215	\$ 0		\$ 20,433	\$ 20,433	\$ 0	
0	0	0		20,000	19,845	155		921	209	712	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		198,495	131,134	67,361		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		500	499	1	
0	0	0		0	0	0		0	0	0	
105	92	13		350	282	68		0	0	0	
9,950	9,265	685		2,200	2,188	12		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		3,546,177	2,783,418	762,759		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		19,022	10,962	8,060	
0	0	0		129,000	126,428	2,572		0	0	0	
0	0	0		0	0	0		0	0	0	
200,000	200,000	0		59,764	59,726	38		0	0	0	
469,307	469,025	282		4,973	2,986	1,987		0	0	0	
679,362	678,382	980		3,960,959	3,126,007	834,952		20,443	11,670	8,773	
(40,835)	(39,855)	980		(3,370,744)	(2,535,792)	834,952		(10)	8,763	8,773	
0	0	0		258,908	258,908	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
259,000	258,908	92		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
0	0	0		0	0	0		0	0	0	
(259,000)	(258,908)	92		258,908	258,908	0		0	0	0	
(299,835)	(298,763)	1,072		(3,111,836)	(2,276,884)	834,952		(10)	8,763	8,773	
400,639	400,639			3,140,866	3,140,866			9,315	9,315		
0	0			642,263	642,263			0	0		
100,804	101,876	1,072		671,293	1,506,245	834,952		9,305	18,078	8,773	

Wayne Local School District
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Enterprise Funds
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<u>Operating Revenues</u>	
Tuition	\$ 73,024
Sales	223,282
Other Revenues	6,395
<u>Total Operating Revenues</u>	\$ 302,701
<u>Operating Expenses</u>	
Salaries	146,988
Fringe Benefits	34,242
Purchased Services	40,147
Materials and Supplies	(9,314)
Cost of Sales	158,307
Depreciation	25,418
Other	85
	<u>0</u>
<u>Total Operating Expenses</u>	\$ 395,873
Operating Income (Loss)	<u>(93,172)</u>
<u>Non-Operating Revenues :</u>	
Federal Donated Commodities	21,604
Interest	216
Federal and State Subsidies	27,066
Other Non-operating Revenues	2,674
<u>Total Non-operating Revenues</u>	<u>51,560</u>
Income (Loss) before Operating Transfers	<u>(41,612)</u>
Operating Transfers - In	0
Net Income (loss)	(41,612)
Retained Earnings at Beginning Of Year as restated see note 3	<u>40,291</u>
Retained Earnings at End Of Year	<u>(1,321)</u>

See accompanying notes to the General Purpose Financial Statements

Wayne Local School District
 Combined Statement of Revenues, Expenses and Changes in
 Fund Balances-Budget and Actual (Budget Basis)
 All Enterprise Funds
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>		Variance
	Revised Budget	Actual	Favorable (unfavorable)
<u>Operating Revenues</u>			
Tuition	\$ 72,013	\$ 73,304	\$ 1,291
Sales	223,142	223,282	\$ 140
Other Revenues	6,395	6,395	\$ 0
<u>Total Operating Revenues</u>	\$ 301,550	\$ 302,981	\$ 1,431
<u>Operating Expenses</u>			
Salaries	143,975	133,139	10,836
Fringe Benefits	42,095	40,343	1,752
Purchased Services	43,114	42,979	135
Materials and Supplies	147,343	135,710	11,633
Other	100	85	15
<u>Total Operating Expenses</u>	\$ 376,627	\$ 352,256	\$ 24,371
Operating Income (Loss)	(75,077)	(49,275)	25,802
<u>Non-Operating Revenues :</u>			
Interest	177	177	\$ 0
Federal and State Subsidies	27,066	27,066	\$ 0
Other Non-operating Revenues	2,674	2,674	\$ 0
<u>Total Non-operating Revenues</u>	29,917	29,917	0
Excess of Rev and Other over Exp. and Other	(45,160)	(19,358)	25,802
Operating Transfers - In	0	0	0
Fund Equity at Beginning of Year	46,015	46,015	0
Prior Year Encumbrances Appropriated	17,837	17,837	\$ 0
<u>Fund Equity at End of Year</u>	18,692	44,494	25,802

See accompanying notes to the General Purpose Financial Statements

Wayne Local School District
 Combined Statement of Cash Flows
 All Enterprise Funds
 For the Fiscal Year Ended June 30, 1999

Cash Flows from Operating Activities

Cash Received From Customers	\$	302,981
Cash Payments to Suppliers for Goods and Services	\$	(130,798)
Cash Payments to Employees for Services	\$	(133,138)
Cash Payments for Employee Benefits	\$	(40,344)
Cash Payments for Purchased Services	\$	(43,055)
Cash Payments for Materials and Supplies	\$	(2,761)

Net Cash Provided by (used for) Operating Activities (47,115)

Cash Flows from Noncapital Financing Activities

Federal and State Grants Received	\$	27,066
Miscellaneous Non-operating Revenues	\$	2,674
	\$	0

Net Cash Flows from Noncapital Financing Activities 29,740

Cash Flows from Capital and Related Financing activities

Purchases of Fixed Assets		0
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Net Cash (used for) Investing Activities 0

Cash Flows from Investing Activities

Interest on Investments	\$	177
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Net Cash (used for) Investing Activities \$ 177

Net Increase (Decrease) in Cash & Cash Equivalents \$ (17,198)

Cash & Cash Equivalents as of July 1, 1998 1 \$ 63,853

Cash & Cash Equivalents as of June 30, 1999 \$ 46,655

Reconciliation of Operating Income/(loss) to Net

Cash Provided by (Used for) operating Activities :

Operating Income / (Loss) \$ 1,932 \$ (84,661)

Adjustments to Reconcile Operating Income/(loss) to

Net Cash Provided by (used for) Operating Activities :

Depreciation Expense	\$	25,418
Donated Commodities Used During the Year	\$	21,604
Changes in Assets and Liabilities :	(216)	\$ 0
Interest on Investments	\$	(216)
(Increase) in Accounts Receivable	0	\$ 280
(Increase) in Interest Receivable	(1,772)	\$ (38)
(Increase) in Inventory Held for Resale	\$	(2,130)
(Increase)/Decrease in Prepaid Items	\$	(1,772)
Increase/(Decrease) in Accounts Payable	\$	(8,334)
Increase/(Decrease) in Accrued Wages & Benefits	\$	4,238
Increase/(Decrease) Compensated Absences Payable	\$	(1,965)
Increase/(Decrease) in Intergovernmental Payable	\$	(1,533)
Increase/(Decrease) in Deferred Revenue	\$	1,694
Increase/(Decrease) in Materials & Supplies Inventory		300
Total Adjustments	\$	37,546

Net Cash Provided by (Used) for Operating Activities \$ (47,115)

Non Cash Transactions- Contributions from Building Fund 0

See accompanying notes to the General Purpose Financial Statements

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL

The Wayne Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected five member Board and provides educational services as authorized by its charter or further mandated by state/or federal agencies. The Board controls the District's three instructional facilities, staffed by 44 classified personnel, 86 certified full-time teaching personnel and administrative employees to provide services to students and other community members.

The District is located in Waynesville, Ohio, Warren County, including an area of approximately 47 square miles. The enrollment for the District during the 1999 fiscal year was 1,324. The District operates one elementary school (K-5), one middle school (6-8), and a high school (9-12).

Reporting Entity :

The reporting entity is composed of the primary government. The primary government consists of all funds; departments, boards and agencies that are not legally separate from the District. For Wayne Local School District, this includes general operations, food service, latchkey and student related activities of the District.

The District reviewed potential component units for possible inclusion in the reporting entity. Component units are legally separate organizations for which the District is financially accountable. The District would be financially accountable for an organization if the District appointed a voting majority of the organization's governing board and (1) the District was able to significantly influence the programs or services performed or provided by the organization; or (2) the District was legally entitled to or can otherwise access the organizations' resources; the District was legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the District was obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District identified no component units that meet this criterion.

Jointly Governed Organizations:

The School District is associated with five jointly governed organizations. These organizations are represented in Note 16:

Dayton Area Superintendent's Association
Southwestern Ohio Computer Association
Southwestern Ohio Educational Purchasing Cooperative
Southwestern Ohio Instructional Technology Association
Warren County Educational Career Center

Public Entity Risk Pool :

EPC Workers' Compensation Group Rating Program

Related Organization :

Mary L. Cook Public Library

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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 School district also applies Financial Accounting Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation – Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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 resources.

For financial statement presentation purposes, the various funds of the District are grouped as follows:

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 current liabilities, except those accounted for in enterprise or fiduciary funds, are accounted for through governmental funds. The governmental fund category includes:

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.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 not being financed by enterprise funds.

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

Proprietary Fund Type

Enterprise Funds- Enterprise funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through enterprise funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education 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 where the Board of Education had decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Expendable Trust Funds account for trust principal and interest, which may be expended. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Agency Funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations and certain other liabilities of the District except those accounted for in the enterprise or trust funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers revenues available if the County Auditor collects them within sixty days after fiscal year end, or in the case of current property taxes, available for advance to the District at the fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants, property taxes available for advance, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes, whose availability is indeterminable, have been recorded as deferred revenue.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities 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 the governmental funds.

The enterprise fund types utilize the accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges receivables at year-end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level must be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and the Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for rate determination.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

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 do not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or the District Treasurer identifies decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended official certificate of estimated resources based on the final assessed values and tax rates or a certificate stating no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, including the Debt Service Fund, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the Non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations:

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated but are a part of the total appropriations of the succeeding fiscal year.

D. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 1999, investments were limited to STAR Ohio and overnight repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts (repurchase agreements) are reported at cost. The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999. Under existing Ohio statutes, all investment earnings accrued are allocated to the General Fund except those specifically related to the food service fund, certain trust funds and those funds individually authorized by Board resolution. Interest income earned in 1999 on a GAAP basis totaled \$179,503.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with a maturity of three months or less at the time they are purchased by the District and investments made from the cash management pool are considered to be cash equivalents. Investments with maturity greater than three months are considered investments of the fund.

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by Legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories of enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out (FIFO) method. Inventories of enterprise funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General Fixed Assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District does not capitalize interest on construction projects. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than five hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund types is computed using the straight-line method over an estimated useful life of 5 to 20 years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The District currently participates in several State and Federal (*) programs, categorized as follows:

Entitlements
 General Fund
 State Foundation Program

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Non-Reimbursable Grants
 - Special Revenue Funds
 - Venture Capital
 - Education Management Information Systems
 - Disadvantaged Pupil Impact Aid
 - Eisenhower (*)
 - Title VI-B (*)
 - Title I (*)
 - Title VI (*)
 - Drug Free Schools Program (*)
 - Public School Preschool (*)
 - School to Work (*)
 - Professional Development (*)
 - Capital Projects Fund
 - SchoolNet
- Reimbursable Grants
 - General Fund
 - School Bus Purchase Reimbursement
 - Driver Education Reimbursement
 - Special Revenue Grant
 - "E"-Rate Grant
 - Enterprise Funds
 - National School Lunch Program
 - Food Commodity Distribution

Grants and entitlements amounted to approximately 45.9 percent of the District's operating revenue during the 1999 fiscal year.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
How Earned	Not Eligible	max 25 days annually	10 to 25 days per year depending on length of service
Maximum Accumulation	Not Applicable	N/A	N/A
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	PAID AFTER Termination ½ * 2 PAYS	Paid AFTER Termination ½ * 2 PAYS
<u>Sick Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
How Earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	250 days	250 days	260 days
Vested	15 yrs. of service Eligible for Retirement	15 yrs. of service Eligible for Retirement	15 yrs. of service Eligible for Retirement
Termination Entitlement	25% UP TO 52-65 DAYS	25% UP TO 62.5 DAYS	25% UP TO 52 –65 DAYS

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For the school bus acquisition obligation, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances, prepaids, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accounting principles but not available for appropriations under state statute.

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

M. Set-Aside Calculations and Fund Reserves

The District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an additional amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside if the District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to the enterprise funds that are not subject to repayment. These assets are recorded at their 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.

O. Estimates

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Total columns on General Purpose Financial Statements

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 cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – PRIOR YEAR RESTATEMENT

The District restated the ending year's inventory account of the Enterprise fund. The restatement resulted in an adjustment of \$263. The beginning balance of retained earnings was adjusted by this amount.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP); the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis), and all Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Non-GAAP Budgetary Basis), and All Enterprise Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the enterprise fund types (GAAP Basis).
4. For enterprise funds the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued):

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

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

All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$44,277	\$16,128	(\$220,675)	(\$1,183,932)	\$8,724
Net Adjustment for Revenue Accruals	(4,263)	(37)	(2,242)	46,128	39
Advances In	2,824	(2,824)	0	0	0
Net Adjustment for Expenditure Accruals	26,457	8,105	(75,846)	(712,969)	0
Adjustment for Encumbrances	(117,817)	(45,013)	0	(426,111)	0
Budget Basis	<u>(\$48,522)</u>	<u>(\$23,641)</u>	<u>(\$298,763)</u>	<u>(\$2,276,884)</u>	<u>\$8,763</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued):

	Net Income (Loss)/Excess (Deficiency) of Revenues Over/ (Under) Expenses
	Enterprise Fund
	<u>Enterprise</u>
Net Adjustment for GAAP Basis	(\$33,101)
Revenue Accruals	241
Commodities Received & Used	(21,604)
Net Adjustment for Expense Accruals	11,848
Depreciation Expense	25,418
Adjustment for Encumbrances	<u>(2,160)</u>
Budget Basis	<u><u>(\$19,358)</u></u>

NOTE 5 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

State statutes require the classification of monies held by the District into three categories. Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for immediate use by the District. Such monies must be maintained either as cash in the District Treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of “inactive” monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of “interim” monies, 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 monies may be invested or deposited in the following securities provided they mature or are redeemable within one year from the date of purchase:

1. Bond, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality.
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above that mature within five years from the date of purchase.
4. Bonds and other obligations of the State of Ohio.
5. No load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.
8. Under limited circumstances, debt interest is rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of District cash and investments is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions hold collateral.

Deposits: The District is required to categorize deposits and investments according to GASB Statement No. 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements". At year-end, the carrying amount of the District's deposits was \$(31,760). The bank balance of the District's deposit was \$34,328. Of the bank balance, \$34,328 was covered by federal depository insurance and the remaining amounts were covered by collateral held by the pledging bank's trust department but not in the District's name pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions. Ohio Revised Code Section 135.181 Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure payment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance. Although the pledging bank has an investment and securities pool used to collateralize all public deposits which are held in the financial institutions name, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized under the provisions of Statement No. 3.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments: The District’s investments are categorized below 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 District or its agent in the District’s name holds the securities.

Category 2 includes uninsured and unregistered investments, which 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.

Based on the above criteria, the District’s investments at June 30, 1999, are classified as follows:

	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$691,399	\$691,399	\$691,399
Total	\$691,399	\$691,399	\$691,399
STAR		\$2,059,901	\$2,059,901
TOTALS		\$2,751,300	\$2,751,300

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled “Reporting Cash Flows of Enterprise and Non-Expendable Trust Funds and Governmental Entities that Use Enterprise Fund Accounting.”

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,719,540	\$0
Non-Participating Repurchase Agreement	(691,399)	691,399
Star Ohio	(2,059,901)	2,059,901
GASB Statement 3	(\$31,760)	\$2,751,300

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 1999 taxes were collected are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$102,422,150	89.26%	\$106,867,680	89.46%
Public Utility Personal	9,311,780	8.11%	9,453,370	7.91%
Tangible Personal Property	3,014,448	2.63%	3,136,216	2.63%
Total Assessed Value	<u>\$114,748,378</u>	<u>100.00%</u>	<u>\$119,457,266</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$50.75		\$50.40

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or 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 District receives property taxes from Warren and Greene Counties. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$184,628 and is recognized as revenue. The amount available for advance at June 30, 1998, was \$170,209.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of taxes, interest, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. The principal item of receivables follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Interest</u>
General	\$3,051,799	\$68	\$0	\$5,071
Special Revenue	0	0	4,000	40
Debt Service	541,534	0	0	0
Capital Projects	148,931	0	0	6,774
Enterprise	0	0	0	38
Total	<u>\$3,742,264</u>	<u>\$68</u>	<u>\$4,000</u>	<u>\$11,923</u>

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$152,486
Less accumulated depreciation	(100,033)
Net Fixed Assets	<u>\$52,453</u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance June 30, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1999</u>
Land	\$98,464	\$517,042	\$0	\$615,506
Buildings	8,189,253	2,775,135	0	10,964,388
Furniture and Equipment	823,965	1,669,734	0	2,493,699
Vehicles	426,341	4,278	0	430,619
Construction in Progress	4,871,345	0	4,871,345	0
Total	<u>\$14,409,368</u>	<u>\$4,966,189</u>	<u>\$4,871,345</u>	<u>\$14,504,212</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - 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 1999, 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

Settlements have not exceeded insurance coverage in any of the last five years.

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 1999, 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. Each participant pay 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 then either receive money from ore be required to contribute to the fund. The firm of Integrated Comp. Management handles the administrative, cost control, and actuarial services to the EPC.

Health Care Benefits/ Life Insurance

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.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. **School Employees Retirement System**

The Wayne Local School District contributes to the School Employers Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the school employees retirement board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634 or by calling 614-222-5853.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9.0 percent of their annual covered salary and the Wayne Local School District is required to contribute 14 percent of annual covered payroll. The contributions are not determined actuarially, but are established by SERS's Retirement Board within rates 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, 1999, 1998, and 1997 were \$139,594, \$116,753 and \$116,508, respectively; any unpaid contributions are recorded as a liability within the respective funds.

B. State Teachers Retirement System

The Wayne Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Chapter 3307 of the Ohio Revised Code establishes benefits. 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 Wayne Local School District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$492,074, \$479,997, and \$456,578 respectively. Any unpaid contributions for fiscal year 1999, are recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, 4 members have elected social security. The Board's liability is 6.20 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The State Teachers Retirement System provides comprehensive health care benefits to retired teachers and their dependents, and the School Employees Retirement System provides the same coverage to retired non-certificated employees and their dependents. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

For the State Teachers Retirement System, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS fund shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$67,103 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For the School Employees Retirement System, coverage is made available to service retirees with ten or more 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% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established as \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides maintenance of the asset target level for the health care fund.

NOTE 12 – SHORT TERM OBLIGATIONS

As of June 30, 1999, The school district had one outstanding short term obligation. The Library Improvement Note had been reported in and was paid from the Debt Service Fund, the fund which received the proceeds. The School Energy Conservation Note has been reported in and will be paid from the Capital Projects Fund, the fund which received the proceeds.

Short term notes outstanding at year end consisted of the following issues:

	Principal Outstanding <u>June 30, 1998</u>	Additions	Deletions	Principal Outstanding <u>June 30, 1999</u>
<i>Capital Projects Fund:</i>				
School Energy Conservation	\$59,726	\$39,726	\$59,726	\$39,726
<i>Debt Service Fund:</i>				
Library Improvement Note	\$75,000	0	\$75,000	\$ 0
Total Short Term Obligations	<u>\$134,726</u>	<u>\$39,726</u>	<u>\$134,726</u>	<u>\$39,726</u>

School Energy Conservation Note

During fiscal year 1999, Wayne Local School District issued \$39,726 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of the Ohio Revised Code sections 133.06(G) and 3313.372. Subsequent to the close of the year the Energy Conservation was paid off in its' entirety on July 9, 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13-LONG TERM OBLIGATIONS

Long-term obligations activity of the District for the year ended June 30, 1999, was as follows:

General Obligation Bonds & Notes:	Principal Outstanding <u>06/30/1998</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>06/30/1999</u>
1996 Building Addition and Equipment 6.1257%	\$7,820,000	\$0	\$125,000	\$7,695,000
Total General Obligation Bonds & Notes	<u>7,820,000</u>	<u>0</u>	<u>125,000</u>	<u>7,695,000</u>
Compensated Absences	440,346	13,730	0	454,076
Intergovernmental Payable	<u>30,992</u>	<u>25,338</u>	<u>30,992</u>	<u>25,338</u>
Total General Long-Term Obligations	<u>\$8,291,338</u>	<u>\$39,068</u>	<u>\$155,992</u>	<u>\$8,174,414</u>

School Improvement Bond

On May 22, 1996 the School District Entered into a school facilities improvement program. This construction included additions and renovations to the existing High School for an elementary building. General obligation bonds and notes will be paid from the debt service fund. Compensated absences and pension obligations will be paid from the fund from which the person is paid.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13-LONG TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$145,000	\$459,723	\$604,723
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	\$315,000	\$402,640	\$717,640
2006	\$350,000	\$384,265	\$734,265
2007	\$40,000	\$373,262	\$413,262
2008	\$65,000	\$369,876	\$434,876
2009	\$80,000	\$365,200	\$445,200
2010	\$95,000	\$359,556	\$454,556
2011	\$125,000	\$352,461	\$477,461
2012	\$150,000	\$343,593	\$493,593
2013	\$170,000	\$333,146	\$503,146
2014	\$210,000	\$320,606	\$530,606
2015	\$235,000	\$305,921	\$540,921
2016	\$270,000	\$289,255	\$559,255
2017	\$315,000	\$269,951	\$584,951
2018	\$355,000	\$248,728	\$603,728
2019	\$390,000	\$226,005	\$616,005
2020	\$450,000	\$200,385	\$650,385
2021	\$495,000	\$171,562	\$666,562
2022	\$545,000	\$139,843	\$684,843
2023	\$615,000	\$104,463	\$719,463
2024	\$670,000	\$65,271	\$735,271
2025	\$735,000	\$22,418	\$757,418
Total	<u>\$7,695,000</u>	<u>\$7,854,905</u>	<u>\$15,549,905</u>

The District's voted legal debt margin was \$3,186,785 with an unvoted debt margin of \$119,457 at June 30, 1999. General obligation bonds and notes will be paid from the debt service fund.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 14 - SIGNIFICANT CONTRACTUAL OBLIGATIONS

The Wayne Local School District has entered into the following contracts for the construction and renovation to be paid from the Capital Projects Fund as of June 30, 1999:

<u>Project</u>	<u>Vendor</u>	<u>Amount</u>
New Construction:		
	Fred Debra	\$ 30,156
	Mechanical Systems	\$ 14,068
	Quantum	\$ 107,467
	Saturn	\$ 16,161
	Farnham	\$ 31,427
	Dalmation	\$ 3,720
Total Contractual Obligations		\$ 202,999

NOTE 15 - ENTERPRISE FUND INFORMATION

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies and latchkey. The table below reflects in a summarized format the more significant financial data relating to the Enterprise Funds of the Wayne Local School District as of and for the fiscal year ended June 30, 1999.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - ENTERPRISE FUND INFORMATION (Continued)

<u>Segment Information</u>	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Latchkey</u>	<u>Total</u>
Operating Revenues	\$197,279	\$26,003	\$79,419	\$302,701
Operating Expenses Before Depreciation	276,693	26,834	66,928	370,455
Depreciation	25,418	0	0	25,418
Operating Income/(Loss)	(104,832)	(831)	12,491	(93,172)
Fed. & State Subsidies	27,066	0	0	27,066
Donated Commodities	21,604	0	0	21,604
Net Income	(53,272)	(831)	12,491	(41,612)
Net Working Capital	(13,605)	19,314	12,512	18,221
L-T Compensated Absences	6,170	0	0	6,170
Fixed Asset Additions	52,363	0	0	52,363
Total Assets	66,784	19,314	19,847	105,945
Total Equity	20,606	19,314	11,122	51,042
Encumbrances at June 30, 1999	\$0	1,970	190	2,160

Memo:

Contributed Capital Food Service Reconciliation	
Contributions from Other Funds	\$52,363
Contributed Capital at July 1, 1998	<u>0</u>
Contributed Capital at June 30, 1999	<u>\$52,363</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

Southwestern Ohio Computer Association - (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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)

SWOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The District's investment interest in SWOCA's fixed assets was \$11,687 June 30, 1999. The District paid SWOCA \$18,615 for services provided during the year. Financial information can be obtained from Michael Crumley, who serves as director, at 3603 Hamilton-Middletown Road, Hamilton, OH. 45011.

B. 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. 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.

C. 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 of the SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the 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 representatives after nominating committee nominates to run. One at large non public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the 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 1999 the school district paid \$912 to SOITA. To obtain information, write to the Southwestern Ohio Instructional Technology Association, Director, 150 East Sixth Street, Franklin, Ohio 45005.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)

D. 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, in service education for the school management team.

Membership in the organization is open to the greater Dayton are 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 representative of the DASA member school or institutions. 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 1999 the school 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.

- E. Warren County Career Center*, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board, which 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.

NOTE 17 – INSURANCE PURCHASING POOL

The school district participates in the Southwestern Ohio Purchasing Council (SOEPC), (reference Note 16 above) "EPC Workers Compensation Group Rating Pool. This group rating plan is to assist in the effective expense for participating districts. Each year the total savings is applied within the group and shared with other districts in the plan. The district uses the SOEPC recommended Comp Management, Inc to handle both workers compensation and unemployment issues.

NOTE 18- 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 it 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 and has issued tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Mary L. Cook Public Library, at 381 Old Stage Road, Waynesville, Ohio 45068.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 19 - CONTINGENCIES

Grants:

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

State School Funding:

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$3,108,183 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the 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 20 – YEAR 2000 ISSUES

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999. Wayne Local School District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information Systems (EMIS)).

The District uses the Ohio Education Computer Network (OECN) State Software for their financial reporting, payroll and employee benefits, and education management information system (EMIS) accounting services. These services are provided by the Southwest Ohio Computer Association (SWOCA – see Note 16). The State and SWOCA are responsible for remediating these systems and are solely responsible for any costs associated with this project.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 20 – YEAR 2000 ISSUES (Continued)

Warren County collects property taxes for distribution to the District. Warren County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of “Foundation” and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District’s remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

NOTE 21 – SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year en set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set-aside Cash Balance as of 6/30/1998	\$0	\$0	\$68,889	\$68,889
Current Year Set-aside Requirement	\$105,882	\$105,882	\$52,941	\$264,705
Workers Comp. Refund in FY 99			\$ 2,004	\$ 2,004
Additional Paid in Ahead of req.			\$70,893	\$ 70,893
Current Year Offsets	(\$19,680)	(\$105,882)	\$0	(\$125,562)
Qualifying Disbursements	<u>(\$86,202)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$86,202)</u>
Set-aside Cash Balance as of 6/30/99	<u>\$0</u>	<u>\$0</u>	<u>\$194,727</u>	<u>\$194,727</u>
Total Restricted Assets				<u>\$194,727</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 22 – ACCOUNTABILITY

The General Fund and the Lunchroom fund have a deficit fund balance/ retained earnings. The General fund deficit of \$283,730 was created by the application of generally accepted accounting principles. The deficit in the general fund will be eliminated either through an increase in taxes or intergovernmental revenues. The deficit in the Lunchroom fund of \$22,984 was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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**REPORT OF INDEPENDENT ACCOUNTANTS 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 financial statements of Wayne Local School District, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated December 22, 1999, which was qualified for lack of documentation for latchkey receipts as recorded as tuition in the Enterprise Fund. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain instances of noncompliance that we have reported to management of the District in a separate letter dated December 22, 1999.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-40483-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 22, 1999.

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

Jim Petro
Auditor of State

December 22, 1999

**SCHEDULE OF FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-10483-001

Latchkey - Internal Control

The Latchkey Program of the District could not provide documentation to support the receipting of tuition charges. The Latchkey Program does not maintain ledgers or accounts receivable listings so therefore is not aware if all monies have been received.

- Latchkey does not maintain a detailed ledger for all customers and does not show the amount owed.
- Latchkey does not post all receipts.
- The receipts are prenumbered; however, they are not used in sequential order.
- Various rates are charged to customers.

To improve accountability over latchkey revenues and reduce the chance of errors occurring and not being detected, the District should implement the following procedures:

- A subsidiary ledger should be maintained to account for the latchkey receipts. This ledger should include the customer's name, amount billed, date paid, the amount of receipts collected and the amount outstanding for each customer's account;
- All entries should be posted in chronological order, reflect a month-to-date and year-to-date totals;
- The subsidiary ledger should be reconciled with deposits on a monthly basis.
- The customers should be given pre-numbered receipts that follow in a sequential order.
- The customer should be charged rates that are consistent and meet Board policy. These rates should be detailed in a Board approved policy.
- All latchkey monies should be deposited within 24 hours after receipt.



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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 8, 2000**