



**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2003



**Auditor of State
Betty Montgomery**

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Local School District as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 11, 2003

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents.	\$ 1,839,108	\$ 173,846	\$ 263,608	\$ 256,989
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	4,378,452	-	706,075	283,386
Accounts.	1,151	290	-	-
Due from other governments	-	2,351	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	41,443	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	71,251	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 6,331,405	\$ 176,487	\$ 969,683	\$ 540,375
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 41,872	\$ 22,854	\$ -	\$ -
Accrued wages and benefits.	699,333	58	-	-
Compensated absences payable.	26,736	-	-	-
Pension obligation payable	138,777	151	-	-
Deferred revenue	3,908,952	-	611,975	244,786
Due to other governments.	25,531	355	-	-
Due to students	-	-	-	-
General obligation bonds payable.	-	-	-	-
Total liabilities.	4,841,201	23,418	611,975	244,786
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings: unreserved	-	-	-	-
Fund balances:				
Reserved for encumbrances	73,846	40,692	-	79,237
Reserved for prepayments	41,443	-	-	-
Reserved for debt service	-	-	263,608	-
Reserved for tax revenue unavailable for appropriation.	469,500	-	94,100	38,600
Reserved for budget stabilization	71,251	-	-	-
Unreserved:				
Designated for budget stabilization	173,982	-	-	-
Undesignated	660,182	112,377	-	177,752
Total equity and other credits	1,490,204	153,069	357,708	295,589
Total liabilities, equity and other credits.	\$ 6,331,405	\$ 176,487	\$ 969,683	\$ 540,375

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 62,873	\$ 36,453	\$ -	\$ -	\$ 2,632,877
-	-	-	-	5,367,913
-	2,500	-	-	3,941
-	-	-	-	2,351
4,110	-	-	-	4,110
-	-	-	-	41,443
-	-	-	-	71,251
44,781	-	18,100,600	-	18,145,381
-	-	-	357,708	357,708
-	-	-	7,883,808	7,883,808
<u>\$ 111,764</u>	<u>\$ 38,953</u>	<u>\$ 18,100,600</u>	<u>\$ 8,241,516</u>	<u>\$ 34,510,783</u>
\$ 1,915	\$ -	\$ -	\$ -	\$ 66,641
19,656	-	-	-	719,047
1,720	-	-	401,051	429,507
16,778	-	-	69,826	225,532
-	-	-	-	4,765,713
572	-	-	-	26,458
-	19,844	-	-	19,844
-	-	-	7,770,639	7,770,639
<u>40,641</u>	<u>19,844</u>	<u>-</u>	<u>8,241,516</u>	<u>14,023,381</u>
-	-	18,100,600	-	18,100,600
52,363	-	-	-	52,363
18,760	-	-	-	18,760
-	-	-	-	193,775
-	-	-	-	41,443
-	-	-	-	263,608
-	-	-	-	602,200
-	-	-	-	71,251
-	-	-	-	173,982
-	19,109	-	-	969,420
<u>71,123</u>	<u>19,109</u>	<u>18,100,600</u>	<u>-</u>	<u>20,487,402</u>
<u>\$ 111,764</u>	<u>\$ 38,953</u>	<u>\$ 18,100,600</u>	<u>\$ 8,241,516</u>	<u>\$ 34,510,783</u>

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 3,786,752	\$ -	\$ 702,525	\$ 292,683	\$ -	\$ 4,781,960
Tuition	4,510	-	-	-	-	4,510
Earnings on investments	32,443	28	-	2,623	-	35,094
Extracurricular	5,388	245,464	-	-	-	250,852
Other local revenues	98,698	32,556	-	9,050	17,752	158,056
Intergovernmental - State	4,933,119	60,659	80,793	55,591	-	5,130,162
Intergovernmental - Federal	-	211,166	-	-	-	211,166
Total revenue	8,860,910	549,873	783,318	359,947	17,752	10,571,800
Expenditures:						
Current:						
Instruction:						
Regular	4,278,710	143,607	-	-	167	4,422,484
Special	786,214	89,595	-	-	-	875,809
Vocational	60,037	-	-	-	-	60,037
Other	11,241	10,739	-	20,609	-	42,589
Support services:						
Pupil	261,513	102,682	-	-	-	364,195
Instructional staff	438,092	-	-	-	-	438,092
Board of Education	50,744	-	-	-	-	50,744
Administration	665,290	5	-	455	-	665,750
Fiscal	295,448	-	10,146	3,789	-	309,383
Business	111,967	-	-	-	-	111,967
Operations and maintenance	655,748	1,422	-	-	-	657,170
Pupil transportation	443,198	-	-	-	-	443,198
Central	44,544	5,305	-	-	-	49,849
Extracurricular activities	172,688	175,055	-	-	10,313	358,056
Facilities acquisition and construction	-	10,500	-	283,280	-	293,780
Debt service:						
Principal retirement	-	-	235,000	-	-	235,000
Interest and fiscal charges	-	-	427,908	-	-	427,908
Total expenditures	8,275,434	538,910	673,054	308,133	10,480	9,806,011
Excess (deficiency) of revenues over (under) expenditures	585,476	10,963	110,264	51,814	7,272	765,789
Other financing sources(uses):						
Accrued interest on sale of bonds	-	-	8,973	-	-	8,973
Payment to refunded bond escrow agent	-	-	(5,085,656)	-	-	(5,085,656)
Proceeds from the sale of bonds	-	-	5,085,638	-	-	5,085,638
Proceeds from sale of fixed assets	89	-	-	-	-	89
Total other financing sources (uses)	89	-	8,955	-	-	9,044
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	585,565	10,963	119,219	51,814	7,272	774,833
Fund balances, July 1	904,639	142,106	238,489	243,775	11,837	1,540,846
Fund balances, June 30	\$ 1,490,204	\$ 153,069	\$ 357,708	\$ 295,589	\$ 19,109	\$ 2,315,679

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

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 3,619,067	\$ 3,488,047	\$ (131,020)	\$ -	\$ -	\$ -
Tuition	3,607	4,510	903	-	-	-
Earnings on investments	40,242	31,870	(8,372)	-	28	28
Extracurricular	-	-	-	220,225	246,099	25,874
Other local revenues	83,950	77,367	(6,583)	28,434	32,837	4,403
Intergovernmental - State	4,629,641	4,933,120	303,479	60,659	60,659	-
Intergovernmental - Federal	-	-	-	208,044	208,815	771
Total revenues	8,376,507	8,534,914	158,407	517,362	548,438	31,076
Expenditures:						
Current:						
Instruction:						
Regular	4,225,392	4,250,424	(25,032)	176,437	163,151	13,286
Special	848,548	767,221	81,327	99,810	94,053	5,757
Vocational	57,201	60,032	(2,831)	-	-	-
Other	30,616	11,366	19,250	13,239	10,739	2,500
Support services:						
Pupil	205,265	253,343	(48,078)	102,321	102,830	(509)
Instructional staff	394,542	424,391	(29,849)	3,066	2,000	1,066
Board of Education	32,882	76,547	(43,665)	-	5	(5)
Administration	651,509	661,238	(9,729)	-	-	-
Fiscal	296,185	284,667	11,518	-	-	-
Business	124,058	118,526	5,532	-	-	-
Operations and maintenance	695,319	648,180	47,139	2,600	1,422	1,178
Pupil transportation	470,054	442,441	27,613	-	-	-
Central	53,185	37,995	15,190	5,305	5,305	-
Extracurricular activities	146,352	173,315	(26,963)	228,231	205,268	22,963
Facilities acquisition & construction	-	-	-	10,500	10,500	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	8,231,108	8,209,686	21,422	641,509	595,273	46,236
Excess (deficiency) of revenues over (under) expenditures	145,399	325,228	179,829	(124,147)	(46,835)	77,312
Other financing sources (uses):						
Accrued interest on sale of bonds	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Proceeds from sale of bonds	-	-	-	-	-	-
Proceeds from sale of fixed assets	12,433	89	(12,344)	-	-	-
Refund of prior year expenditure	1,229	1,793	564	-	-	-
Total other financing sources (uses)	13,662	1,882	(11,780)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	159,061	327,110	168,049	(124,147)	(46,835)	77,312
Fund balances, July 1	1,335,377	1,335,377	-	125,707	125,707	-
Prior year encumbrances appropriated	85,870	85,870	-	31,483	31,483	-
Fund balances, June 30	\$ 1,580,308	\$ 1,748,357	\$ 168,049	\$ 33,043	\$ 110,355	\$ 77,312

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 638,813	\$ 638,817	\$ 4	\$ 265,444	\$ 267,016	\$ 1,572	\$ 4,523,324	\$ 4,393,880	\$ (129,444)
-	-	-	-	-	-	3,607	4,510	903
-	-	-	2,171	2,623	452	42,413	34,521	(7,892)
-	-	-	-	-	-	220,225	246,099	25,874
-	-	-	4,050	9,050	5,000	116,434	119,254	2,820
80,796	80,793	(3)	31,583	33,782	2,199	4,802,679	5,108,354	305,675
-	-	-	-	-	-	208,044	208,815	771
<u>719,609</u>	<u>719,610</u>	<u>1</u>	<u>303,248</u>	<u>312,471</u>	<u>9,223</u>	<u>9,916,726</u>	<u>10,115,433</u>	<u>198,707</u>
-	-	-	-	-	-	4,401,829	4,413,575	(11,746)
-	-	-	-	-	-	948,358	861,274	87,084
-	-	-	-	-	-	57,201	60,032	(2,831)
-	-	-	20,609	25,148	(4,539)	64,464	47,253	17,211
-	-	-	-	-	-	307,586	356,173	(48,587)
-	-	-	-	-	-	397,608	426,391	(28,783)
-	-	-	-	-	-	32,882	76,552	(43,670)
-	-	-	-	455	(455)	651,509	661,693	(10,184)
10,175	10,146	29	-	3,789	(3,789)	306,360	298,602	7,758
-	-	-	-	-	-	124,058	118,526	5,532
-	-	-	-	-	-	697,919	649,602	48,317
-	-	-	-	-	-	470,054	442,441	27,613
-	-	-	-	-	-	58,490	43,300	15,190
-	-	-	-	-	-	374,583	378,583	(4,000)
-	-	-	385,918	357,977	27,941	396,418	368,477	27,941
235,000	235,000	-	-	-	-	235,000	235,000	-
1,258,564	1,258,564	-	-	-	-	1,258,564	1,258,564	-
<u>1,503,739</u>	<u>1,503,710</u>	<u>29</u>	<u>406,527</u>	<u>387,369</u>	<u>19,158</u>	<u>10,782,883</u>	<u>10,696,038</u>	<u>86,845</u>
<u>(784,130)</u>	<u>(784,100)</u>	<u>30</u>	<u>(103,279)</u>	<u>(74,898)</u>	<u>28,381</u>	<u>(866,157)</u>	<u>(580,605)</u>	<u>285,552</u>
-	8,973	8,973	-	-	-	-	8,973	8,973
(4,255,000)	(4,255,000)	-	-	-	-	(4,255,000)	(4,255,000)	-
-	5,085,638	5,085,638	-	-	-	-	5,085,638	5,085,638
-	-	-	-	-	-	12,433	89	(12,344)
-	-	-	-	-	-	1,229	1,793	564
<u>(4,255,000)</u>	<u>839,611</u>	<u>5,094,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,241,338)</u>	<u>841,493</u>	<u>5,082,831</u>
(5,039,130)	55,511	5,094,641	(103,279)	(74,898)	28,381	(5,107,495)	260,888	5,368,383
208,097	208,097	-	80,878	80,878	-	1,750,059	1,750,059	-
-	-	-	171,772	171,772	-	289,125	289,125	-
<u>\$ (4,831,033)</u>	<u>\$ 263,608</u>	<u>\$ 5,094,641</u>	<u>\$ 149,371</u>	<u>\$ 177,752</u>	<u>\$ 28,381</u>	<u>\$ (3,068,311)</u>	<u>\$ 2,300,072</u>	<u>\$ 5,368,383</u>

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS / FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$ 15,734
Sales/charges for services	<u>256,966</u>
 Total operating revenues	 <u>272,700</u>
Operating expenses:	
Personal services	172,287
Contract services	2,087
Materials and supplies	153,571
Other operating expenses.	261
Depreciation	<u>7,016</u>
 Total operating expenses	 <u>335,222</u>
Operating loss	<u>(62,522)</u>
Nonoperating revenues:	
Operating grants	42,619
Federal commodities	18,014
Interest revenue.	<u>159</u>
 Total nonoperating revenues	 <u>60,792</u>
 Net loss	 (1,730)
Retained earnings, July 1	<u>20,490</u>
Retained earnings, June 30	18,760
Contributed capital, June 30	<u>52,363</u>
Fund Equity, June 30.	<u>\$ 71,123</u>

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 15,734
Cash received from sales/service charges	256,966
Cash payments for personal services	(174,315)
Cash payments for contract services	(1,087)
Cash payments for materials and supplies	(136,017)
Cash payments for other expenses	(261)
Net cash used in operating activities	(38,980)
Cash flows from noncapital financing activities:	
Cash received from operating grants	49,908
Net cash provided by noncapital financing activities	49,908
Cash flows from investing activities:	
Interest received	159
Net cash provided by investing activities	159
Net increase in cash and cash equivalents	11,087
Cash and cash equivalents at beginning of year	51,786
Cash and cash equivalents at end of year	\$ 62,873
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (62,522)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,016
Federal donated commodities	18,014
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	1,072
Increase in accounts payable	1,582
Increase in accrued wages and benefits	3,407
Decrease in compensated absences payable	(1,228)
Decrease in due to other government	(120)
Decrease in pension obligation payable	(3,267)
Decrease in deferred revenue	(2,934)
Net cash used in operating activities	\$ (38,980)

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

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**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 388th largest by enrollment among the 740 public and community school districts in the state. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 53 non-certified, 93 certified (including administrative) full-time and part-time employees to provide services to approximately 1,448 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Dayton Area Superintendent's Association

The Dayton Area Superintendent's Association (DASA) is an organization formed by the area school Superintendents. The purpose of the organization is to serve as a forum for practicing Superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team. Membership in the organization is open to the Greater Dayton area school system Superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Montgomery, Preble, Shelby, and Warren Counties. The Executive committee is comprised of eight representatives of the DASA member schools 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. To obtain financial information, write to DASA, Executive Secretary, 451 West Third Street, Dayton, Ohio 45422-1040.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Warren County Career Center

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

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 SOEPC 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. To obtain information, write to the SOEPC, Robert Brown, who serves as the director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to the state or local government, for a public purpose. To obtain information, write to the Southwestern Ohio Instructional Technology Association, Director, 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Computer Association (SWOCA)

SWOCA is a jointly governed organization between a three-county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member districts. Each of the governments of these schools supports SWOCA based upon a per pupil charge dependent upon the software package utilized. The Governing Board of SWOCA consists of six members elected by majority vote of all charter member schools plus one representative from the fiscal agent. The District has an equity interest that is explicit and measurable in that the jointly governed agreement stipulates that the participants have a future claim to the net resources of SWOCA upon dissolution. The agreement sets forth the method to determine each members' proportionate share.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Jewell Education Foundation

The District is a participant in the Jewell Education Foundation, which is a jointly governed educational foundation established to benefit the school districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distributions to member educational institutions of participating school districts. The governing board is made up of the Warren County Vocational School District superintendent, one member of the 1999 Warren County Vocational School District Board of Education, not on the current board, and one member submitted by each participating school district. The District made no financial contribution to the Foundation. Financial information can be obtained from the director of planned giving, Rick Wood, at P. O. Box 854, Lebanon, Ohio 45036.

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

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

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items, which, in other fund types, would be subject to accrual (see Note 3.B).

ACCOUNT GROUPS

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

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2003, but which are intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

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

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2003 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 10 to the financial statements.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

E. Cash and Cash Equivalents

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

During fiscal year 2003, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

By policy of the Board of Education, investment earnings are assigned to the general fund, Education Foundation fund, District Managed Student Activity, Building fund and Food Service fund. The following fund was credited more interest than would have been received based upon their share of the District's investments during fiscal 2003:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General Fund	\$32,443	\$23,618	\$8,825

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

F. Inventory

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

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

2. *Proprietary Funds*

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

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and minor equipment	5 - 20

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least 50 years of age, with at least 10 years of service, or 15 years of service at any age were included.

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Accumulated vacation and sick leave of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Long-Term Obligations

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

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

K. Fund Equity

Contributed capital recorded in proprietary funds represents capital grants or contributions from other funds received before July 1, 2000. Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, budget stabilization, and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

The District had no interfund transactions for fiscal year 2003.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

M. Contributed Capital

Contributed capital reported in the enterprise funds balance sheet represents resources provided from other funds, other governments, or private sources prior to July 1, 2001 that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions received on or after July 1, 2001 are recorded as revenue and a component of retained earnings at year-end. There were no capital contributions received by the enterprise funds during fiscal 2003. Contributed capital in the enterprise funds at June 30, 2003 is \$52,363.

N. Bond Discounts, Premiums and Issuance Costs

For governmental fund types, bond issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. Fund balance reserves have also been established. See Note 15 for details.

P. Estimates

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Q. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY

A. Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$319
Drug-Free School Grant	12
Title II-A	167

These funds complied with Ohio State law which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Title I, Drug-Free School Grant, and Title II-A special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for monies due to other governments attributable to the fiscal year. These deficit balances will be eliminated by intergovernmental revenues or other revenues not recognized and recorded at June 30.

B. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$1,763

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(50,341) and the bank balance was \$28,584. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments." The entire bank balance was covered by federal deposit insurance.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$399,673	\$ 399,673	\$ 399,673
Investment in STAR Ohio	-	2,354,796	2,354,796
Total investments	<u>\$399,673</u>	<u>\$2,754,469</u>	<u>\$2,754,469</u>

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,704,128	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(2,354,796)	2,354,796
Repurchase agreement	<u>(399,673)</u>	<u>399,673</u>
GASB Statement No. 3	<u>\$ (50,341)</u>	<u>\$2,754,469</u>

NOTE 5 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2002 taxes were collected was \$155,476,314. Agricultural/residential and public utility/minerals real estate represented 83.84% or \$130,352,670 of this total; commercial & industrial real estate represented 7.57% or \$11,766,350 of this total; public utility tangible represented 6.47% or \$10,060,210 of this total and general tangible property represented 2.12% or \$3,297,084 of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$41.10 per \$1,000.00 of assessed valuation for operations. The voted permanent improvement tax rate at the fiscal year ended June 30, 2003 was \$2.00 per \$1,000.00 of assessed valuation for operations. The voted bonded debt tax rate at the fiscal year ended June 30, 2003 was \$4.85 per \$1,000.00 of assessed valuation for operations.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2003 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2003 totaled \$469,500 in the general fund, \$94,100 in the debt service fund and \$38,600 in the permanent improvements fund.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 6 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$4,378,452
Accounts receivable	1,151
<u>Special Revenue Fund</u>	
Accounts receivable	290
Due from other governments	2,351
<u>Debt Service Fund</u>	
Taxes - current and delinquent	706,075
<u>Capital Projects Fund</u>	
Taxes - current and delinquent	283,386

NOTE 7 - FIXED ASSETS

A summary of the changes in the general fixed asset account group during the fiscal year follows:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>
Land/improvements	\$ 1,119,653	\$254,844	\$ -	\$ 1,374,497
Buildings	12,272,078	173,611	-	12,445,689
Furniture/equipment	3,746,367	25,168	-	3,771,535
Vehicles	<u>523,797</u>	<u>53,529</u>	<u>(68,447)</u>	<u>508,879</u>
Total	<u>\$17,661,895</u>	<u>\$507,152</u>	<u>\$(68,447)</u>	<u>\$18,100,600</u>

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 154,871
Less: accumulated depreciation	<u>(110,090)</u>
Net fixed assets	<u>\$ 44,781</u>

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - LONG-TERM OBLIGATIONS

- A. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the 1996 general obligation bonds. The proceeds of the bonds were used to advance refund \$4,255,000 of the 1996 general obligation bonds by purchasing U.S. government securities. The securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at June 20, 2003, was \$4,982,139. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding.

The 2003 bond issue is comprised of both general obligation current interest bonds with a face value of \$4,230,000, and capital appreciation bonds with a face value (including bond accretion) of \$2,190,000. The interest rates on the current interest bonds range from 1.500% to 3.850%. The capital appreciation bonds mature in 2024. The effective interest rate on the capital appreciation bonds, including the effect of the amortization of the premium, is 16.12%. The issuance value reported in the general long-term obligations account group at June 30, 2003 is \$24,983.

The District advance refunded a portion of the 1996 general obligation current interest bonds to reduce its total debt service over the next 21 years by \$610,413 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$427,717.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2024.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2003 on the 1996 and 2003 series general obligation bonds:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2003</u>
Current interest bonds - 1996	\$7,175,000	\$ -	\$(4,490,000)	\$2,685,000
Current interest bonds - 2003	-	4,230,000	-	4,230,000
Capital appreciation bonds - 2003				
Issuance Value	-	24,983	-	24,983
Premium	-	<u>830,656</u>	-	<u>830,656</u>
Total G.O. bonds	<u><u>\$7,175,000</u></u>	<u><u>\$5,085,639</u></u>	<u><u>\$(4,490,000)</u></u>	<u><u>\$7,770,639</u></u>

The following is a summary of the future annual requirements to maturity for general obligation bonds:

<u>Fiscal Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Accretion</u>	<u>Total</u>
2004	\$ 295,000	\$ 223,294	\$ 518,294	\$ -	\$ -	\$ -
2005	415,000	290,721	705,721	-	-	-
2006	450,000	271,396	721,396	-	-	-
2007	140,000	249,971	389,971	-	-	-
2008	165,000	245,391	410,391	-	-	-
2009 - 2013	1,120,000	1,104,608	2,224,608	-	-	-
2014 - 2018	1,990,000	721,475	2,711,475	-	-	-
2019 - 2023	2,340,000	184,656	2,524,656	9,968	700,032	710,060
2024 - 2025	-	-	-	<u>15,015</u>	<u>1,464,985</u>	<u>1,480,000</u>
Total	<u><u>\$6,915,000</u></u>	<u><u>\$3,291,512</u></u>	<u><u>\$10,206,512</u></u>	<u><u>\$24,983</u></u>	<u><u>\$2,165,017</u></u>	<u><u>\$2,190,060</u></u>

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

B. During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

	Balance <u>July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2003</u>
Compensated absences	\$ 386,075	\$ 77,372	\$ (62,396)	\$ 401,051
General obligation bonds	7,175,000	4,254,983	(4,490,000)	6,939,983
Pension obligation	<u>57,938</u>	<u>69,826</u>	<u>(57,938)</u>	<u>69,826</u>
Total	<u>\$7,619,013</u>	<u>\$4,402,181</u>	<u>\$(4,610,334)</u>	<u>\$7,410,860</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2003, are a voted debt margin of \$7,410,593 (including available funds of \$357,708) and an unvoted debt margin of \$155,476.

NOTE 9 - RISK MANAGEMENT

Comprehensive

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, recreation and the latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2003:

	<u>Food Service</u>	<u>Recreation</u>	<u>Latchkey Program</u>	<u>Total Enterprise Funds</u>
Operating revenue	\$256,966	\$1,015	\$14,719	\$272,700
Depreciation expense	7,016	-	-	7,016
Operating income/(loss)	(63,666)	15	1,129	(62,522)
Non-operating revenue:				
Operating grants	42,619	-	-	42,619
Donated federal commodities	18,014	-	-	18,014
Net income/(loss)	(2,874)	15	1,129	(1,730)
Net working capital	33,920	140	1,492	35,552
Total assets	109,952	320	1,492	111,764
Total liabilities	40,461	180	-	40,641
Contributed capital	52,363	-	-	52,363
Total fund equity	69,491	140	1,492	71,123
Encumbrances outstanding as of 6/30/03	2,113	180	-	2,293

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$182,244, \$173,157, and \$154,955, respectively; 47.09% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$96,420, represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11- DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11- DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$579,165, \$528,884, and \$336,698, respectively; 83.23% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$97,140, represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$41,369 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$89,923 during the 2003 fiscal year.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ 327,110	\$(46,835)	\$ 55,511	\$(74,898)
Net adjustment for revenue accruals	325,996	1,435	63,708	47,476
Net adjustment for expenditure accruals	(164,047)	56,363	-	79,236
Net adjustment for other financing sources/(uses)	(1,793)	-	-	-
Adjustment for encumbrances	<u>98,299</u>	<u>-</u>	<u>-</u>	<u>-</u>
GAAP basis	<u>\$ 585,565</u>	<u>\$ 10,963</u>	<u>\$ 119,219</u>	<u>\$ 51,814</u>

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general Fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2003.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 14 - CONTINGENCIES - (Continued)

B. Litigation

The District is a party to legal proceedings. The District's management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 15 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2002	\$ -	\$ -	\$245,233
Set-aside balance as of July 1, 2002	(261,682)	-	-
Current year set-aside requirement	183,790	183,790	-
Current year offsets	-	(300,797)	-
Qualifying disbursements	<u>(270,890)</u>	<u>(13,640)</u>	-
Total	<u><u>\$(384,782)</u></u>	<u><u>\$(130,647)</u></u>	<u><u>\$245,233</u></u>
Amount reserved by statutory requirement	-	-	71,251
Additional designation by district	-	-	<u>173,982</u>
Cash balance carried forward to FY 2004	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$245,233</u></u>
Set-aside balance carried forward to FY2004	<u><u>\$(384,782)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 15 - STATUTORY RESERVES - (Continued)

The District set-aside additional money in excess of the requirements for budget stabilization. This amount is presented on the balance sheet as a designation of fund balance, rather than as a reserve, and are therefore not included in restricted assets.

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

A schedule of the restricted assets at June 30, 2003 follows:

Amount restricted for budget stabilization	<u>\$71,251</u>
Total restricted assets	<u><u>\$71,251</u></u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Wayne Local School 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 immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 2003.

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

This report is intended for the information and use of the District's audit committee, elected officials and management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 11, 2003

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2003**

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

None

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**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10483-01	Ohio Rev. Code, Section 5705.41(D), expenditures were not properly encumbered or certified.	Yes	

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

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
MARCH 23, 2004**