

Wayne Local School District

Warren County, Ohio

Regular Audit

July 1, 2005 Through June 30, 2006

Fiscal Year Audited Under GAGAS: 2006

**BALESTRA, HARR & SCHERER, CPAs, Inc.**

528 S. WEST STREET, P.O. Box 687  
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

[www.bhscpas.com](http://www.bhscpas.com)





Mary Taylor, CPA  
Auditor of State

Board of Education  
Wayne Local School District  
659 Dayton Road  
Waynesville, Ohio 45068

We have reviewed the *Independent Auditor's Report* of the Wayne Local School District, Warren County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wayne Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 7, 2007

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**WAYNE LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2006

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# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental 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 opinions.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in cash basis financial position and the respective budgetary position of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 14 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 46, *Net Assets Restricted by Enabling Legislation*.



Balestra, Harr & Scherer, CPAs, Inc.  
February 23, 2007

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

As Management of Wayne Local Schools, we offer readers of Wayne Local Schools' financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the district's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the districts financial results.

The key component of operations is cash. The overall cash position is as follows:

- Net cash assets of governmental activities decreased by \$92,814.
- At the close of the 2006 fiscal year Wayne Local Schools' governmental funds reported a combined unencumbered ending cash fund balance of \$3,692,208. Of this amount \$3,267,435 is available for spending to support operations at Management's discretion.

**Overview of the Financial Statements**

The following overview and discussion is intended to serve as an introduction to Wayne Local Schools' Financial Statements. The statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements.

**Government-wide Financial Statements:** These financial statements are designed to provide readers with a broad overview of Wayne Local Schools' finances.

The "*Statement of Net-Assets Cash Basis*" presents information on all of Wayne Local Schools' cash assets presented as net assets. Over time, increases or decreases of net assets may serve as an indicator of whether the financial position of Wayne Local is improving or deteriorating. However it is important to note that the School District's mission is to provide a thorough and efficient educational program and not to generate profits as private sector companies strive to do. To assess the financial well being of the District, one must consider the health of the School District's property tax base, current and any changes to property tax laws in Ohio including those that restrict revenue growth.

The "*Statement of Activities Cash Basis*" present information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported on a cash basis and thus correspond with the addition or liquidation of cash.

The government-wide financial statements can be found on pages 12 and 13 of the report.



**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wayne Local Schools like other public schools in Ohio, as well as other governmental units, use fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds can be divided into two categories: governmental funds, and fiduciary funds.

*Governmental Funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government or district-wide cash basis financial cash statements. The General Fund (major fund) is separate since it is not part of the aggregate.

The District maintains many individual governmental funds. Information is presented in a single aggregated total of the governmental funds with the *Statement of Cash Receipts, Disbursement and Changes in Cash Basis Fund Balances* presentation.

The District adopts an annual appropriated budget for its' General fund as well as other governmental funds. A budgetary comparison statement has been prepared for the General fund (the District's only major fund) to demonstrate compliance with this budget.

The cash basis governmental fund financial statement can be found on pages 14 and 15 of this report.

***Fiduciary Fund.*** Fiduciary funds are used to account for resources held for the benefit of parties outside of the district. These are primarily Scholarship funds. Fiduciary funds are ***not*** reflected in the government wide financial statements because the resources of those funds are not available to support the District's programs.

The basic fiduciary fund financial statement can be found on pages 17 and 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 19 to 33 of this report.

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

**Government-Wide Financial Analysis**

As noted earlier net assets cash basis serve over time as a useful indicator of a school district's financial position. This is the second year for Wayne Local Schools in implementing a new standard of reporting. Wayne Local has chosen to report financials on the *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Statement No. 34. This format requires a comparative analysis of Government-wide data in the Management Discussion and Analysis section.

Wayne Local Schools Net Assets - Cash Basis  
**GOVERNMENTAL ACTIVITIES**

	2005	2006
Cash	\$ 4,159,601	\$ 4,066,787
Total Assets	\$ 4,159,601	\$ 4,066,787
Restricted for:		
Debt Service	\$ 514,904	\$ 424,773
Capital Outlay	335,398	335,398
Budget Stabilization	245,233	245,233
Severance Payments	181,359	181,359
Other Purposes	167,272	167,272
Unrestricted	2,716,435	2,712,752
Total Net Assets	\$ 4,159,601	\$ 4,066,787

**Financial Analysis of the Government Funds**

As noted earlier Wayne Local uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds:** The focus of Wayne Local Schools' governmental funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular unreserved fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year.

As of the end of the current fiscal year Wayne Local's governmental funds reported a combined ending fund (cash basis) balances of \$4,066,787 a decrease of 2.2% in comparison to the previous year. Of this amount \$2,712,752 constitutes an unreserved fund balance, which is available for spending at the District's discretion for necessary school expenses. This represents a \$3683 decrease from the prior year. The remainder of the fund balance is reserved to indicate the amounts are not available for new spending because the cash has already been committed.

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

Table 2 shows the highlights of the School District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net assets. The first presentation is Cash Receipts and the receipts are divided into two major components: Program Cash Receipts and General Cash Receipts. Program Cash Receipts are defined as charges for services and sales, capital and operating grants, and contributions. General Cash Receipts include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous revenues.

The second presentation of Table 2 is that Cash Disbursements are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)  
Change in Net Assets

	Governmental Activities	
	2006	2005
<b>Cash Receipts</b>		
Program Cash Receipts:		
Charges for Services and Sales	\$1,063,039	\$867,450
Operating Grants and Contributions	437,568	518,884
Total Program Cash Receipts	1,500,607	1,386,334
General Cash Receipts:		
Property Taxes	5,900,182	5,919,428
Grants and Entitlements not Restricted to Specific Programs	4,986,257	5,019,270
Investment Earnings	155,393	82,765
Miscellaneous	55,431	56,763
Total General Cash Receipts	11,097,263	11,078,226
Total Cash Receipts	\$12,597,870	\$12,464,560

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

(Table 2)  
Change in Net Assets  
(continued)

	2006	2005
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	\$ 5,406,418	\$ 4,957,015
Special	977,561	1,113,598
Vocational	11,838	15,870
Adult/Continuing	5,000	2,000
Other	214,180	137,743
Support Services:		
Pupils	718,853	410,841
Instructional Staff	545,768	522,140
Board of Education	25,431	30,399
Administration	829,702	746,293
Fiscal	310,167	253,237
Business	125,077	125,714
Operation and Maintenance of Plant	796,759	801,630
Pupil Transportation	591,593	534,836
Central	49,504	52,865
Operation of Food Services	357,332	320,341
Extracurricular Activities	457,644	408,028
Capital Outlay	549,684	254,355
Operation of Non-Instructional Services	6,489	6,459
Debt Service:		
Principal	450,000	415,000
Interest and Fiscal Charges	261,684	282,059
Total Cash Disbursements	12,690,684	11,390,423
Refund of Prior Year Expenditures	-	(2,647)
Net Total Cash Disbursements	12,690,684	11,387,776
Change in Net Assets	(92,814)	1,076,784
Net Assets, Beginning of the Year	4,159,601	3,082,817
Net Assets, End of the Year	\$ 4,066,787	\$ 4,159,601

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 39.6 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2006. Property tax receipts made up 46.8 percent of the total cash receipts for governmental activities for a total of 86.4 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 42.6 percent of governmental program cash disbursements. Support services expenses make up 31.5 percent of governmental cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program cash receipts. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent charges for services, restricted grants, fees and donations.

(Table 3)  
Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$ 6,614,997	\$ 5,886,075	\$ 6,226,226	\$ 5,561,208
Support Services	3,992,854	3,992,854	3,477,955	3,477,955
Operation of Non-Instructional Services	363,821	37,123	326,800	2,981
Extracurricular Activities	457,644	12,657	408,028	10,531
Capital Outlay	549,684	549,684	254,355	254,355
Intergovernmental	-	-	-	-
Principal	450,000	450,000	415,000	415,000
Interest and Fiscal Charges	261,684	261,684	282,059	282,059
Refund of Prior Year Expenditures	-	-	(2,647)	(2,647)
<b>Total Cash Disbursements</b>	<b>\$ 12,690,684</b>	<b>\$ 11,190,077</b>	<b>\$ 11,387,776</b>	<b>\$ 10,001,442</b>

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

The general fund is the chief operating fund of the Wayne Local Schools. At the end of the current fiscal year the unreserved fund balance was \$2,284,859. This amount is net of encumbrances of \$167,010 and the budget stabilization reserve of \$245,233. The general fund had \$10,387,243 of receipts and \$10,490,660 of expenses. Wayne Local continues to examine cost improvement initiatives.

The general fund balance of the Wayne Local Schools decreased \$103,417 during the fiscal period ending June 30, 2006. This decrease was largely due to the addition of Pre-school handicapped expenses that were previously funded by Warren County MRDD. This organization has ceased funding and of such expenses. In addition rising energy costs are impacting all schools. The district continues to save in the area of workers compensation expenses by participating in a group rating pool. We have saved in property insurances, and in the effective use and rent of the districts' assets. Though we gained a small amount of local tax revenue the State continues to charge off 23 mills worth of taxes against our state aid versus the 20 mill floor that the district collects from local taxation. Though we have experienced a student population growth this charge-off results in a flat almost carry-over State funding level.

**General Fund Budgetary Highlights**

The districts budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant and highest dollar volume budgeted fund is the General Fund. During the course of the year, as allowed by law and changes in economics, the District revised the General Fund budget at various times. The final adjusted budget as with past year's budgets, attempts to include all cost savings initiatives and projected economic factors in the budget. For the year ended June 30, 2006, General Fund disbursements were \$96,675 less than the final budget appropriations. Under state law a state district cannot allow expenditures to exceed budgeted amounts. As such the typical treasurer should budget with fiscal constraints in mind, yet allow for contingencies to ensure meeting statutory requirements. As such, a typical district should inherently have actual expenditures be lower than budgeted amounts

On the revenue side, actual revenues for the general fund were \$77,918 above the final revenue budgeted amount. The action of the Federal Reserve Bank to raise the Fed Funds Rate allowed for a significant increase in interest earnings. It is important to note that under state law, a district cannot budget total resources to exceed actual amounts. As such treasurers must be a little conservative in budgeting revenues. Districts should have actual revenues meet or hopefully exceed budgeted amounts. Please note in addition to the budgets, the treasurer prepares a forecast and five year plan that is used as the planning tools of the district. These tools allow for a precise outlook of the financial picture of the district.

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

**Economic Factors and Next Year's Budgets**

In preparation of the fiscal year 2007 budget various factors were considered. On the cost side, Health Care Insurance costs continue to be a major concern. Medical rates are projected to increase by a minimum of 15.0 % in fiscal year 2007 over the previous year. This increase will amount to approximately \$141,000 in expenses just for health insurance. A majority of our costs are "people cost driven". The 2007 forecast does include reductions in manpower. Certified and non-certified staff pays increases and Step increases are included in the cost budget. The district is taking actions to control cost increases.

On the revenue side, concerns continue on the adequacy of State funding and specifically the phantom revenue problem caused by the 23 mill charge off. School district millage decreases as property values rise. However the state subtracts the equivalent of 23 mills from the base state funding amounts on all property in the district. Thus as property values rise the district receives a fixed amount of funds from the local citizenry (until the 20 mill floor is met) but the state offsets state funding at a rate of 23 mills on the total of the accessed value of property in the district. This is why the term "phantom revenue" is attached to Ohio school funding. Even if a district is at the 20 mill floor, the district will lose a minimum of the value of 3 mills on all increasing property growth. Over time this mechanism pushes a bigger and bigger share of school funding to the local taxpayer.

**Outstanding Debt**

The district completed an advance refinancing of select bonds in June of 2003 that were previously issued in 1995 for the construction of a new high school. The total outstanding debt as of June 30, 2006 is \$6,610,639. As a result of the combination of various factors including the June 2003, bond refinancing, the initiative allowed for a property tax millage reduction to the local taxpayers. Note 11 of the financial statements illustrate the changes in the district's long-term obligations.

Outstanding Debt, at Year End  
Governmental Activities

	2006	2005
Construction Bonds	\$ 6,610,639	\$ 7,060,639
Totals	\$ 6,610,639	\$ 7,060,639

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2006**

**Request for information**

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Ron James CPA, Treasurer, at Wayne Local Schools, 659 Dayton Road, Waynesville, Ohio 45068



WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
Governmental Activities

STATEMENT OF NET ASSETS - CASH BASIS  
For the Fiscal Year Ended June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	<u>\$4,066,787</u>
<b>Total Assets</b>	<u><u>\$4,066,787</u></u>
Net Assets:	
Restricted/Reserved For:	
Debt Service	\$424,773
Capital Outlay	335,398
Budget Stabilization	245,233
Severance Payments	181,359
Other Purposes	167,272
Unrestricted	2,712,752
<b>Total Net Assets</b>	<u><u>\$4,066,787</u></u>

Governmental funds exclude agency and trust funds

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
For the Fiscal Year Ended June 30, 2006**

	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
<b>Governmental Activities</b>				
Instruction:				
Regular and Special	\$6,383,979	\$291,354	\$437,568	(\$5,655,057)
Vocational	11,838	0	0	(11,838)
Adult/Continuing	5,000	0	0	(5,000)
Other Instruction	214,180	0	0	(214,180)
Support Services:				
Pupil	718,853	0	0	(718,853)
Instructional Staff	545,768	0	0	(545,768)
Board of Education	25,431	0	0	(25,431)
Administration	829,702	0	0	(829,702)
Fiscal	310,167	0	0	(310,167)
Business	125,077	0	0	(125,077)
Operation and Maintenance of Plant	796,759	0	0	(796,759)
Pupil Transportation	591,593	0	0	(591,593)
Central	49,504	0	0	(49,504)
Operation of Non-Instructional Services	6,489	0	0	(6,489)
Operation of Food Services	357,332	326,698	0	(30,634)
Extracurricular Activities	457,644	444,987	0	(12,657)
Capital Outlay	549,684	0	0	(549,684)
Debt Service:				
Principal Retirement	450,000	0	0	(450,000)
Interest and Fiscal Charges	261,684	0	0	(261,684)
	<u>\$12,690,684</u>	<u>\$1,063,039</u>	<u>\$437,568</u>	<u>(\$11,190,077)</u>
General Receipts:				
Property Taxes Levies for:				
General Purposes				5,037,377
Debt Service				562,416
Capital Outlay				300,389
Grants and Entitlements not				
Restricted to Specific Programs				4,986,257
Investment Earnings				155,393
Miscellaneous				55,431
				<u>11,097,263</u>
Change in Net Assets				(92,814)
Net Assets Beginning of Year				<u>4,159,601</u>
<i>Net Assets End of Year</i>				<u><u>\$4,066,787</u></u>

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Assets</b>			
Cash and Cash Equivalents	<u>\$2,697,102</u>	<u>\$1,369,685</u>	<u>\$4,066,787</u>
Total Assets	<u>2,697,102</u>	<u>1,369,685</u>	<u>4,066,787</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	167,010	207,569	374,579
Unreserved:			
Designated for Budget Stabilization	245,233	0	245,233
Designated for Severance Payments	0	144,412	144,412
Undesignated , Reported in:			
General Fund	2,284,859	0	2,284,859
Special Revenue Funds	0	171,229	171,229
Debt Service Fund	0	424,773	424,773
Capital Projects Funds	<u>0</u>	<u>421,702</u>	<u>421,702</u>
Total Fund Balances	<u>\$2,697,102</u>	<u>\$1,369,685</u>	<u>\$4,066,787</u>

*See accompanying notes to the basic financial statements*

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Receipts</b>			
Property Taxes	\$5,037,377	\$862,805	\$5,900,182
Intergovernmental	4,882,861	540,964	5,423,825
Interest	143,268	12,125	155,393
Tuition and Fees	291,354	0	291,354
Food Service	0	258,152	258,152
Extracurricular Activities	2,454	292,853	295,307
Miscellaneous	26,778	243,728	270,506
<i>Total Receipts</i>	<u>10,384,092</u>	<u>2,210,627</u>	<u>12,594,719</u>
<b>Disbursements</b>			
Current:			
Instruction:			
Regular	5,208,250	198,168	5,406,418
Special	751,439	226,122	977,561
Vocational	11,838	0	11,838
Adult/Continuing	0	5,000	5,000
Other Instructional	210,980	3,200	214,180
Support Services:			
Pupil	542,864	175,989	718,853
Instructional Staff	545,768	0	545,768
Board of Education	25,181	250	25,431
Administration	829,048	654	829,702
Fiscal	297,319	12,848	310,167
Business	125,077	0	125,077
Operation and Maintenance of Plant	793,819	2,940	796,759
Pupil Transportation	591,593	0	591,593
Central	35,504	14,000	49,504
Operation of Food Services	0	357,332	357,332
Extracurricular Activities	181,636	276,008	457,644
Capital Outlay		549,684	549,684
Other Non-instructional	6,489	0	6,489
Debt Service:			
Principal Retirement	0	450,000	450,000
Interest and Fiscal Charges	0	261,684	261,684
<i>Total Disbursements</i>	<u>10,156,805</u>	<u>2,533,879</u>	<u>12,690,684</u>
<i>Excess of Receipts Over Disbursements</i>	<u>227,287</u>	<u>(323,252)</u>	<u>(95,965)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers (out)/ In	(333,855)	333,855	0
Sale of Fixed Assets	3,151	0	3,151
<i>Total Other Financing Sources</i>	<u>(330,704)</u>	<u>333,855</u>	<u>3,151</u>
<i>Net Change in Fund Balances</i>	<u>(103,417)</u>	<u>10,603</u>	<u>(92,814)</u>
Fund Balances Beginning of Year	<u>2,800,519</u>	<u>1,359,082</u>	<u>4,159,601</u>
<b>Fund Balances End of Year</b>	<b><u>\$2,697,102</u></b>	<b><u>\$1,369,685</u></b>	<b><u>\$4,066,787</u></b>
Reserved for Encumbrances	<u>\$167,010</u>	<u>\$207,569</u>	<u>\$374,579</u>

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET (BUDGET BASIS) AND ACTUAL  
GENERAL FUND**

For the Fiscal Year Ended June 30, 2006

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final	Fiscal Year Actual	Final Budget Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$4,970,000	\$4,967,263	\$5,037,377	\$70,114
Intergovernmental	4,664,055	4,952,392	4,882,861	(69,531)
Interest	64,150	64,150	139,150	75,000
Tuition and Fees	198,002	198,002	219,982	21,980
Classroom Materials and Fees	73,500	71,539	71,372	(167)
Revenue in Lieu of Taxes	0	0	95	95
Miscellaneous	52,828	52,828	33,255	(19,573)
<i>Total Revenues</i>	10,022,535	10,306,174	10,384,092	77,918
<b>Expenditures</b>				
Instruction:				
Regular	4,743,967	5,379,852	5,375,260	4,592
Special	858,117	983,117	751,439	231,678
Vocational	17,643	17,643	11,838	5,805
Other Instruction	253,001	253,001	210,980	42,021
Support Services:				
Pupil	475,099	415,099	542,864	(127,765)
Instructional Staff	507,438	507,438	545,768	(38,330)
Board of Education	31,978	31,978	25,181	6,797
Administration	822,027	822,027	829,048	(7,021)
Fiscal	294,280	294,280	297,319	(3,039)
Business	146,248	146,248	125,077	21,171
Operation and Maintenance of Plant	808,030	808,030	793,819	14,211
Pupil Transportation	501,500	517,861	591,593	(73,732)
Central	39,849	39,849	35,504	4,345
Academic and Subject Oriented Activities	0	0	6,489	(6,489)
Extra Curricular Activities	181,636	204,067	181,636	22,431
<i>Total Expenditures</i>	9,680,813	10,420,490	10,323,815	96,675
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	3,151	(3,151)
Transfers Out	(333,855)	(333,855)	(333,855)	0
<i>Total other financing sources/ (uses)</i>	(333,855)	(333,855)	(330,704)	(3,151)
<i>Net Change in Fund Balance</i>	7,867	(448,171)	(270,427)	177,744
<i>Fund Balance Beginning of Year</i>	2,543,788	2,543,788	2,543,788	0
Prior Year Encumbrances Appropriated	256,731	256,731	256,731	0
<i>Fund Balance End of Year</i>	\$2,808,386	\$2,352,348	\$2,530,092	\$177,744

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
For the Fiscal Year Ended June 30, 2006**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$14,104	\$17,604
<b>Net Assets:</b>		
Restricted for Scholarships	14,104	0
Unrestricted	0	17,604
Total Net Assets	\$14,104	\$17,604

*See accompanying notes to the basic financial statements*

WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2006

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Miscellaneous	\$10,038
Total Additions	<u>10,038</u>
<b>Deductions</b>	
Regular	339
Extracurricular	<u>7,152</u>
Total Deductions	7,491
Change in Net Assets	2,547
Net Assets - Beginning of Year	<u>11,557</u>
Net Assets - End of Year	<u><u>\$14,104</u></u>

*See accompanying notes to the basic financial statements*

# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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## **Note 1 - Description of the School District and Reporting Entity**

The Wayne Local School District (the District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. The District covers land located in Warren County and a portion of Greene County. The buildings and administration are located in the village of Waynesville. The District serves an area of approximately 47 square miles. The District has a history of strong academic, arts and athletic success. The recent Ohio report card as published by the Ohio Department of Education has Waynesville at the "EXCELLENT" highest rating per ODE standards. In addition you will find based on ODE reports Wayne Local Schools has one of the lowest per pupil spending amounts in the State. The link to the ODE web site is: <http://www.ode.state.oh.us/>

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the School District's instructional/support facilities staffed by 56 classified employees, 94 certificated full-time personnel, and 4 administrators who provide services to 1,326 students (average daily membership per ODE method of equivalent student calculations) and numerous community members, groups and activities. The School District currently operates three buildings.

### ***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Wayne Local School District, this includes general operations, food service, preschool screening, community services, and student related activities of the School District. The District has no component units.

### **Jointly Governed Organizations**

The School District participates in six jointly governed and one related organization. These organizations are:

#### **Dayton Area Superintendent's Association:**

The Dayton Area Superintendent's Association (DASA) is an organization formed by area school Superintendents. The purpose of the organization is to serve as a forum for practicing Superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, in-service education for the school management team. Membership in the organization is open to the Greater Dayton 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 Committees are selected 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 fines as established by the Executive Committee. To obtain financial information, write to DASA Executive Secretary, 451 West Third Street, Dayton, Ohio 45422-1040.

#### **Warren County Career Center**

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



# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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## **Note 1 - Description of the School District and Reporting Entity (continued)**

### **Southwestern Ohio Educational Purchasing Council**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school Districts in 13 counties. The 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, Ken Swink, who serves as the director, at 303 Corporate Center Drive, Suite 208, Vandalia Ohio, 45371.

### **Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not for profit corporation formed under the Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives from the SOITA member schools or institutions. Nineteen representatives are elected by the qualified members from within the participating counties; i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler counties elect two representatives per area.

All superintendents, except 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 three-county consortiums 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 member's proportionate share.

### **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, Bill Thornton at P.O. Box 854, Lebanon, Ohio 45036.

# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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## **Note 1 - Description of the School District and Reporting Entity (continued)**

### **RELATED ORGANIZATION**

The Mary L. Cook 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) is 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**

For the fiscal year the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. The firm of Integrated Comp, Inc. and Hunter Consulting provide administrative, cost controls, and actuarial services to the GRP.

### **MEDICAL AND DENTAL BENEFITS**

For the fiscal year, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), and insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school district is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its medical and dental insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation is limited to school districts that can meet the MBP's selection criteria.

## **Note 2 – Summary of Significant Accounting Policies**

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. The District has applied the use of "Other Comprehensive Basis of Accounting) (OCBOA) financial reporting and have used the AICPA practice aid series, "Applying OCBOA in State and Local Governmental Financial Statements" to assist in the format and content of the District's presentation. According to the AICPA publication it is reported that of the approximately 87,575 units of state and local government in the United States of America it is estimated that as many as 75 percent may use a basis of accounting other than GAAP to present their internal or external financial statements. As noted while OCBOA does not represent GAAP it could currently be considered as generally applied principles in many small state and local governmental entities.

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

# WAYNE LOCAL SCHOOL DISTRICT

## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### ***A. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either Governmental, or Fiduciary. The Board approves all budgets and appropriations at the Fund level.

***Governmental:*** The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The School District's only major governmental fund is the General Fund. The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

***Fiduciary:*** Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include private-purpose trust funds and Agency Funds. Trust funds account for assets held by the District under an agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's primary fiduciary fund is a private purpose trust which accounts for scholarship money or recognition award funds as provided by various donors. The District's Agency funds are custodial in nature, where the District deposits and pays cash as directed by School District advisors that assist in student activities.

#### ***B. Basis of Presentation***

The School District's basic financial statements consist of a government-wide statement of activities, and fund financial statements providing more detailed financial information.

***Government-wide Financial Statement of Activities:*** This statement displays information about the School District as a whole, except for fiduciary funds. The statement of activities eliminates internal service fund activity to avoid reporting those transactions twice. The statement reports governmental activities separately from business-type activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

***Fund Financial Statements:*** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. No major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

#### ***C. Cash and Cash Equivalents***

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District values cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 was \$143,268, with a total of \$155,184 for all funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents.

# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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## **Note 2 – Summary of Significant Accounting Policies (continued)**

### ***D. Designated Fund Balance***

The Board has a set aside (not state mandated) \$245,233. This amount was previously established under past and now renounced state statute concerning rainy-day set aside requirements. The Board, though not required by state law, continues to desire to display this amount as a safety net or rainy day type funds. In Fiscal year 2005 the Board established a fund to specifically ensure adequate cash to fund severance amounts for teachers and non-certified employees this amount is now at \$144,412. This amount ensures coverage of current eligible retirees. The other restricted assets in \$14,104 which is the total fiscal year end balance of Trust type accounts held for scholarships, awards etc. (See Note 12 for additional information regarding set-asides.)

### ***E. Inventory and Prepaid Items***

On the cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

### ***F. Capital Assets***

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

### ***G. Compensated Absences***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified-cash basis of accounting.

### ***H. Long-term Obligations***

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

### ***I. Net Assets***

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes represents net assets restricted by State and Federal grantor agencies.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Districts restricted net assets of \$1,354,035, \$426,592 were restricted by enabling legislation.

# WAYNE LOCAL SCHOOL DISTRICT

## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### ***J. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers occurred within the accounting of the total governmental fund totals. The transfers totaled \$333,855 with a net impact of \$0 within the governmental fund.

#### ***K. Budgetary Data***

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund level as its legal level of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

### **Note 3 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

## Note 3 - Property Taxes (continued)

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. House Bill 66, passed in 2005 phases out the tax on tangible personal property of all general business and railroad property by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. The District receives property taxes from Warren and Greene County. The Warren County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent. No advances were received by the District for the second half collections prior to June 30, 2006.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2005 Second-		2006 First-	
	Half Property Assessed values		Half Property Assessed values	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$164,355,870	93.0 %	\$169,677,960	94.1 %
Public Utility Personal	\$ 9,340,780	5.3%	\$ 8,452,700	4.7%
Tangible Personal Property	\$ 3,071,570	1.7 %	\$ 2,189,025	1.2 %
Total	<u>\$176,768,220</u>	<u>100.00 %</u>	<u>\$180,319,685</u>	<u>100.00 %</u>
Tax rate per \$1,000 of Assessed valuation	\$36.307		\$33.304	

## Note 4 - Deposits and Investments

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

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

Inactive deposits are public deposits that the School District has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

## WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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### **Note 4 - Deposits and Investments (continued)**

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. 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;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institutions agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution.

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 School 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

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

## Note 4 - Deposits and Investments (continued)

**Investments:** As of June 30, 2006, the School had the following investments:

	Fair Value	Weighted Average Maturity
Federal National Mortgage Association Note	\$ 992,810	1.37
Federal Home Loan Bank Note	1,591,215	2.06
STAR Ohio	12,238	0
Total Investments	<u>\$2,596,263</u>	1.13

Interest rate risk- Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment strategy addresses interest rate risk by requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Federal National Mortgage Association Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor. STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 38% of the District's investments are in Federal National Mortgage Association Notes and 61% in Federal Home Loan Bank Notes.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District's investments are held in the name of the District.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

## Note 5 - Interfund Balances

No unpaid inter-fund cash advances existed at June 30, 2006.

## Note 6- Interfund Transfers

One interfund cash transfer of \$333,855 was completed for the year ended June 30, 2006. This was entirely within the governmental accounts and was for the establishment of the building and or land purchase funds.



# WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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## **Note 7 - Risk Management**

### ***A. Commercial Insurance***

The District has obtained commercial insurance for the following risks:

- General liability; Property, Auto Liability
- Boiler and Machinery
- Educators Liability Errors and omissions.

### **Risk Pool Membership**

The District is a member of the Southwestern Ohio Educational Purchasing Council (EPC) group Insurance purchasing program. The Program currently includes 33 Ohio Public School Districts in Southwestern Ohio. The secured self-insurance package developed by Marsh allows the EPC council to retain a portion of predictable losses, transfer a portion of catastrophic risk, and broaden our insurance program coverages. The Pool assumes the risk of loss up to the limits of the carrier. The loss fund is at \$437,808 and represents the residual cash after considering outstanding reserves. With this program there is an aggregate (Stop Loss) Insurance policy. Should the loss fund be exhausted by the EPC council, the aggregate excess coverage applies to the fund the retention on behalf of the EPC council. No supplemental assessments can occur under this program. In turn the District has no claim to any loss fund or other program assets. The Pool covers the following risks:

- General liability; Property, Auto Liability
- Boiler and Machinery
- Educators Liability Errors and omissions

### ***B. Workers' Compensation***

For fiscal year 2006 the School District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Comp Management Incorporated. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school Districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. The 2006 Estimated savings to the District was \$45,542. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school Districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and Corvell provide administrative, cost control and actuarial services to the GRP.

### ***C. Employee Medical Benefits***

The School District operates and manages employee medical (Anthem), dental and life insurance benefits through the assistance of the Southwestern Ohio Educational Purchasing Council (EPC). The District pays a monthly premium for coverage. The EPC works with Anthem to establish rates and payment to providers. Future premium rates are impacted by both the coverage of the given insurance, employee utilization and the actual cost and inflation of services and pharmaceuticals.

# WAYNE LOCAL SCHOOL DISTRICT

## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### **Note 8 - Benefit Pension Plans**

#### ***A. School Employees Retirement System***

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the 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 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent 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. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations, including the surcharge amount, to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 was \$225,696, \$223,318, and \$205,318, respectively. This amount is withheld directly from our foundation allocation.

#### ***B. State Teachers Retirement System***

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. 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 20, 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

## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006*

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### **Note 8 - Benefit Pension Plans (continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 employer contributions. The School District's required contributions for pension obligations to the STRS plans for the fiscal years ended June 30, 2006, 2005 and 2004 was \$705,474, \$671,500 and \$669,625, respectively. This amount is withheld directly from our foundation allocation.

### **Note 9- Post-employment Benefits**

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

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$50,391 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest year available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest year available), net health care costs paid by STRS Ohio were \$292,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207 and the target level was \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

### **Note 10- Contingencies**

#### **A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

# WAYNE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006

## Note 10- Contingencies (continued)

### B. Litigation

The Wayne Local School District is not a party to any legal proceedings.

## Note 11 – Long – Term Obligations

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

Description	Governmental Activities			Amount Outstanding at 6/30/2006
	Amount Outstanding at 06/30/2005	Additions	Deductions	
1996 Bonds	\$2,105,000	\$0	\$ (350,000)	\$1,755,000
2003 Bonds	\$4,100,000	\$0	\$ ( 100,000)	\$4,000,000
Subtotal:	\$6,205,000	\$0	\$ (450,000)	\$5,755,000
Capital Appreciation Bonds -2003				
Issuance Value	\$ 24,983	\$0	\$0	\$ 24,983
Premium	\$ 830,656	\$0	\$0	\$ 830,656
Total G.O. Bonds	<u>\$7,060,639</u>	<u>\$0</u>	<u>\$ (450,000)</u>	<u>\$6,610,639</u>

The 2003 bond issue is comprised of both general obligation current interest bonds with an outstanding face value of \$4,100,000, and capital appreciation bonds with a face value including future accretion of \$2,190,000. The interest rates on the current interest bonds range from 1.500% to 3.850%. All bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB'S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

All current obligation bonds outstanding issued to provide funds for the acquisition and construction of equipment and facilities are general obligations of the District for which the full faith and credit of the district is pledged for repayment. Accordingly, payments of principal and interest relating to the liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from the current bonded debt tax levy. The original millage passed for collection was 5.95 mills. However due to property growth and the refinancing of select bonds the effective tax millage is at the 2.5 mill level. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund \$4,255,000 of the 1996 general obligation bonds. The securities and proceeds 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 30, 2006 was \$4,396,348. The refunded bonds are not included in the District's outstanding debt since the district has satisfied its' obligations through the advance refunding.

Interest payments on the bonds are due on June 1 and December 1, of each year. Principal payments are due on December 1, of each year. As noted above the final maturity is December 1,2024.

## WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

### Note 11 – Long – Term Obligations (Continued)

The following is a summary of future annual requirements to maturity for General Obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accretion	Total
2007	140,000	248,681	388,681	-	-	-
2008	165,000	243,295	408,295	-	-	-
2009	180,000	236,494	416,494	-	-	-
2010	195,000	228,475	423,475	-	-	-
2011	225,000	218,755	443,755	-	-	-
2012-2016	1,585,000	877,392	2,462,392	-	-	-
2017-2021	2,615,000	382,998	2,997,998	-	-	-
2022-2024	<u>650,000</u>	<u>12,513</u>	<u>662,513</u>	<u>24,983</u>	<u>2,165,017</u>	<u>2,190,000</u>
TOTAL:	\$5,755,000	\$2,448,603	\$8,203,603	\$24,983	\$2,165,017	\$2,190,000

### Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations 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 effect of these debt limitations at June 30, 2006, is a total a debt margin of \$10,849,596 (including available funds of \$400,807 current balance of the bond retirement account).

### Note 12 - Set-Aside Calculations

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2005	(\$565,729)	-	\$245,233
Current Year Set-aside Requirement	198,274	198,274	-
Current Year Offsets	-	(318,545)	-
Qualifying Disbursements	<u>(266,783)</u>	<u>-</u>	<u>-</u>
Totals	<u><u>(\$634,238)</u></u>	<u><u>(\$120,271)</u></u>	<u><u>\$245,233</u></u>

The District had offsets and qualifying disbursements during the year that reduced the textbooks/instructional materials set-aside amount below zero; this extra amount plus the previous year's offset by law is being carried forward to reduce the set-aside requirements of future years.

The District had offsets for capital acquisition during the year that reduced the set-aside amount below zero. This extra amount by law may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

## WAYNE LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2006*

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### **Note 12 - Set-Aside Calculations (continued)**

The District has previously set-aside money for budget stabilization. This amount is presented on the Statement of Cash Basis Assets and Fund Balances as a designation of fund balance, rather than as a reserve, and are therefore not included in restricted assets.

### **Note 13 – State School Funding Decision**

On December 11, 2003, 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 14- Change in Accounting Principle**

For the fiscal year 2006, the District implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. The application of this new standard did not have a material effect on the financial statements, nor did its implementation require a restatement of prior year balances.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
www.bhscpas.com

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Wayne Local School District  
659 Dayton Road  
Waynesville, Ohio 45068

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 23, 2007 wherein we indicated the District implemented GASB Statement No. 46. 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.

**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 basic financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2006-001.


Board of Education

Wayne Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2007



WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2006

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

FINDING NUMBER 2006-001

**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**District Response:**

The Wayne Local School Board does not feel that it is cost effective to produce the Financial Statements in accordance to GAAP. All of the District’s financial reports are given to the community and Board on a cash basis during the year. We feel that by filing the accepted cash (not GAAP) financial statements serves our district and community in the most cost effective manor.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2006-001. The District believes reporting on the cash basis of accounting is more cost efficient.



**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 17, 2007**