



Dave Yost • Auditor of State



**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

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

### **Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Supplemental and Other Information*

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

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

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

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

January 5, 2015

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**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

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, 2014. 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 District's financial results.

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

- The Net position of governmental activities increased by \$1,521,057. At the close of the 2014 fiscal year, Wayne Local Schools' governmental funds reported a cash fund balance of \$9,041,589. Of this amount \$6,539,371 are unassigned funds that are 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 Position – 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 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 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 starting on page 11 of the report.

**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, Debt Service Fund, and Capital Projects Fund (major funds) are separate since they are 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.

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

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 13- 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 statements can be found on pages 16- 17 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 18 to 31 of this report.

**Government-Wide Financial Analysis**

As noted earlier net position cash basis serve over time as a useful indicator of a school district's financial position. 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.

**Table 1  
Net Position**

	<b>2014</b>	<b>2013</b>
Cash	\$ 9,041,589	\$ 7,520,532
Total Assets	\$ 9,041,589	\$ 7,520,532
<b>Net Position</b>		
Restricted for:		
Debt Service	697,978	659,993
Capital Outlay	946,934	950,317
Severance Payments	115,250	178,870
Cafeteria	147,049	259,646
Other Funds	519,772	608,223
Total Restricted	\$ 2,426,983	\$ 2,657,049
Unrestricted	\$ 6,614,606	\$ 4,863,483
Total Net Position	\$ 9,041,589	\$ 7,520,532

The overall net position is up \$1.5 million and is mostly reflected in our unrestricted cash. This is due to our revenue growth being higher than current expense levels. There were no base increases beyond step levels.

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

Table 2 shows the highlights of the District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net position. 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 Position**

	<b>2014</b>	<b>2013</b>
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,435,675	\$ 1,490,279
Refunding of Bonds	\$ 3,301,879	
Operating Grants & Contributions	560,580	748,972
Total Program Cash Receipts	\$ 5,298,134	\$ 2,239,251
General Cash Receipts		
Property Taxes	8,910,761	8,828,752
Grants and Entitlements not Restricted to Specific Programs	5,413,350	5,191,183
Investment Earnings	42,029	29,680
Miscellaneous	219,298	12,198
Total General Cash Receipts	14,585,438	14,061,813
Total Cash Receipts	\$ 19,883,572	\$ 16,301,064

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b>Expenses</b>		
<b>Program Cash Disbursements</b>		
<b>Instruction:</b>		
Regular	\$ 6,811,334	\$ 6,920,599
Special	1,864,999	1,029,337
Vocational	56,718	65,559
Adult Continuing	-	-
Other	-	31,580
<b>Support Services:</b>		
Pupils	659,776	962,070
Instructional Staff	198,662	922,139
Board of Education	29,137	23,382
Administration	928,262	827,269
Fiscal	314,142	288,818
Business	105,730	138,654
Operation and Maintenance of Plant	746,423	765,946
Pupil Transportation	861,470	669,327
Central	89,054	110,301
<b>Other:</b>		
Operation of Non-Instructional	28,861	34,027
Operation of Food Services	296,650	304,330
Extracurricular Activities	811,347	621,939
Capital Outlay	823,614	618,031
<b>Debt Service:</b>		
Principal	325,000	270,000
Interest	170,801	193,689
Refinancing of Bonds	3,240,335	
<b>Total Cash Disbursements</b>	<u>18,362,315</u>	<u>14,796,997</u>
<b>Change in Net Position</b>	<u>1,521,057</u>	<u>1,504,067</u>
<b>Net Position, Beginning of the Year</b>	<u>7,520,532</u>	<u>6,016,465</u>
<b>Net Position, End of the Year</b>	<u>\$ 9,041,589</u>	<u>\$ 7,520,532</u>

**Governmental Activities**

During 2014 the District refinanced a portion of our outstanding bonds to reduce interest expense. This amounted to a \$3.3 million of inflow and \$3.2 million outflow as shown above. Excluding these amounts Grants and entitlements not restricted to specific programs made up 32.6 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2014. Property tax receipts made up 53.7 percent of the total cash receipts for governmental activities. These two items make up a total of 86.3 percent of all cash receipts in our governmental accounts. Instruction costs comprise 57.8 percent of governmental program cash disbursements. Support services expenses makeup 26.0 percent of governmental cash disbursements.

In fiscal year 2014 we went through more changes in our coding our expense in new accounts as directed by the State. The coding for Special Education now includes a more accurate picture of such expenditures. In general, on the revenue side we will saw a minimal increase (excluding the refinanced bonds). We purchased two buses in 2014 and continue to improve our technology.

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Instruction	\$ 8,733,051	\$ 7,625,981	\$ 8,047,075	\$ 6,792,506
Support Services	3,932,656	3,932,656	4,707,906	4,707,906
Operation of Non-Instructional Services	325,511	(124,355)	338,357	(199,579)
Extracurricular Activities	811,347	372,028	621,939	175,193
Capital Outlay	823,614	823,614	618,031	618,031
Intergovernmental	-	-	-	-
Principal	325,000	325,000	270,000	270,000
Interest and Fiscal Charges	170,801	170,801	193,689	193,689
Transfers/ other	3,240,335	(61,344)	-	-
Total Cash Disbursements	<u>\$ 18,362,315</u>	<u>\$ 13,064,381</u>	<u>\$ 14,796,997</u>	<u>\$ 12,557,746</u>

**The District's Funds**

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

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 \$9,041,589 an increase of \$1,521,057 in comparison to the previous year. This represents a twenty percent increase from the prior year. Of this amount \$6,539,371 constitutes an unassigned fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is restricted, committed or assigned to indicate that the amounts are not available for new spending or for spending outside of the inherent guidelines of the fund.

The District has three major funds for 2014: the General Fund, Debt Service Fund and Capital Projects Fund.

The General Fund is defined in accordance with the Governmental Accounting Standards Board Statement No. 54 to include the basic General Fund, the severance benefit funds and Public School Support funds. Statement No. 54 requires the classification of fund balances into five categories:

- 1) Non-spendable
- 2) Restricted
- 3) Committed
- 4) Assigned
- 5) Unassigned.

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

At the end of the current fiscal year the unassigned General Fund balance is \$6,539,371. An unassigned balance represents the fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. The reader should view the unassigned General Fund balance as the residual cash that is unencumbered and free to be used for the future expenditures of the District.

The unassigned General Fund balance of the Wayne Local Schools increased \$1,757,456 during the fiscal period ending June 30, 2014. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. At the present time our revenues exceed our current expenses by \$1.5 million and this means our cash balance is growing. This should continue in FY2015. As we move out past FY 2015 we are anticipating a decrease in state aid and federal grants in future years with flat lined local revenue. It is imperative that we build our cash balance over the next few years to assist in long term viability.

**General Fund Budgetary Highlights (Excludes Severance and Principal's Fund Accounts)**

The District's budget is prepared according to Ohio Law and is based on accounting for transactions on a cash basis of receipts and disbursements, while allowing for the accounting of outstanding encumbrances to be paid. The most significant and highest dollar volume budgeted fund is the Base General Fund, which would exclude the severance and public school support accounts. During the course of the year, as allowed by law the District can revise 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 original budget

On the revenue side, actual revenues for the General Fund were \$359,963 above the final revenue budgeted amount. Under state law, a district cannot budget total resources that would exceed the ultimate actual amounts. As such treasurers must be very cautious in budgeting revenues to be in compliance with state law. Districts should have actual revenues exceed budgeted amounts. I set the budget for revenue in September of 2012, and at that time was using the county auditor's forecast of tax revenue. Our tax revenue came in a little higher and we received more state support than forecasted. Please note in addition to the budget, the Treasurer prepares a monthly forecast and five year plan that is used as the planning tools of the District. These tools allow for both planning and provide a barometer of the financial outlook of the District.

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

In preparation of the fiscal year 2014 budget various factors were considered. On the revenue side we are forecasting flat-lined revenue from the state and local taxes.

On the cost side increases in salaries are limited to the step increases as applicable to certified and non-certified staff. To combat rising health care we moved to a high deductible health care plan. We anticipate rates in 2015 will rise 5.5%.

**Outstanding Debt**

In fiscal year 2014 the District completed a second refunding of outstanding bonds. This follows the District's advance refinancing of select bonds in June of 2003. The original bonds were originally issued in 1995 for the construction of a new high school. This was an extremely positive move to save our taxpayers interest costs. The total outstanding debt as of June 30, 2014 is \$3,999,983. As a result of the combination of various factors including the June 2003 and the recent bond refinancing 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.

**WAYNE LOCAL SCHOOLS  
WARREN COUNTY**

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

Description	Amount			Amount Outstanding at 6/30/2014
	Outstanding at 6/30/2013	Additions	Deductions	
1996 Bonds	\$ 1,030,000	\$ -	\$ (210,000)	\$ 820,000
2003 Bonds	\$ 3,300,000	\$ -	\$ (3,300,000)	\$ -
2014 Bonds	\$ -	\$ 3,155,000	\$ -	\$ 3,155,000
<b>Sub-total</b>	<b>\$ 4,330,000</b>	<b>\$ 3,155,000</b>	<b>\$ (3,510,000)</b>	<b>\$ 3,975,000</b>
Capital Appreciation Bonds -2003				
Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983
<b>Sub-total Cap Bonds</b>	<b>\$ 24,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,983</b>
<b>Grand Total</b>	<b>\$ 4,354,983</b>	<b>\$ 3,155,000</b>	<b>\$ (3,510,000)</b>	<b>\$ 3,999,983</b>

**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 District's accountability for the money it receives. If you have any questions about this report or need additional information please contact Ron James CPA, CFP CERTIFICANT, Treasurer, at Wayne Local Schools, 659 Dayton Road, Waynesville, Ohio 45068.

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**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF NET POSITION - CASH BASIS**  
**June 30, 2014**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Equity in Pooled Cash & Cash Equivalents	<b>\$9,041,589</b>
<b>Total Assets</b>	<b>\$9,041,589</b>
 Net Position	
<b>Restricted For:</b>	
Debt Service	697,978
Capital Outlay	946,934
Severance Payments	115,250
Cafeteria	147,049
Activity Funds	182,315
Other	337,457
<b>Total Restricted</b>	<b>\$ 2,426,983</b>
<b>Unrestricted:</b>	<b>\$ 6,614,606</b>
 <b>TOTAL NET POSITION</b>	<b>\$9,041,589</b>

Governmental Activities exclude agency and trust funds

*The notes to the basic financial statement are an integral part of this statement*

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services, Sales, and Debt Refunding	Operating Grants and Contributions	
<b>Governmental Activities</b>				
<b>Instruction:</b>				
Regular and Special	8,676,333	677,106	425,648	(7,573,579)
Vocational	56,718	0	0	(56,718)
Adult/Continuing	0	4,316	0	4,316
Other Instruction	0	0	0	0
<b>Support Services:</b>				
Pupil	659,776	0	0	(659,776)
Instructional Staff	198,662	0	0	(198,662)
Board of Education	29,137	0	0	(29,137)
Administration	928,262	0	0	(928,262)
Fiscal	314,142	0	0	(314,142)
Business	105,730	0	0	(105,730)
Operation and Maintenance of Plant	746,423	0	0	(746,423)
Pupil Transportation	861,470	0	0	(861,470)
Central	89,054	0	0	(89,054)
<b>Other:</b>				
Enterprise Operations	28,861	162,891	0	134,030
Operation of Food Services	296,650	152,043	134,932	(9,675)
Extracurricular Activities	811,347	439,319	0	(372,028)
Capital Outlay/Site Improvement	823,614	0	0	(823,614)
<b>Debt Service:</b>				
Principal and Interest Charges	495,801	0	0	(495,801)
Refunding of Bonds	3,240,335	3,301,679		61,344
Total Governmental Activities	<u>\$18,362,315</u>	<u>\$4,737,354</u>	<u>\$560,580</u>	<u>(13,064,381)</u>

**General Receipts:**

Property Taxes Levies for:		
General Purposes		\$8,007,839
Debt Service		421,926
Capital Outlay		480,996
Grants and Entitlements		
Not Restricted to Specific Programs		5,413,350
Investment Earnings		42,029
Miscellaneous		219,298
<b>Total General Receipts</b>		<u>14,585,438</u>
Change in Net Position		1,521,057
<b>Net Position Beginning of Year</b>		<u>7,520,532</u>
<b>Net Position End of Year</b>		<u>\$9,041,589</u>

*The notes to the basic financial statement are an integral part of this statement*

WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
June 30, 2014

	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	Other Governmental Funds	Totals Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$7,054,804	\$697,978	\$753,375	\$535,432	\$9,041,589
<i>Total Assets</i>	<u>\$7,054,804</u>	<u>\$697,978</u>	<u>\$753,375</u>	<u>\$535,432</u>	<u>\$9,041,589</u>
<b>Fund Balances</b>					
RESTRICTED	-	697,978	-	535,355	1,233,333
COMMITTED	115,250	-	753,375	77	868,702
ASSIGNED	400,183	-	-	-	400,183
UNASSIGNED	6,539,371	-	-	-	6,539,371
<i>Total Fund Balances</i>	<u>\$ 7,054,804</u>	<u>\$ 697,978</u>	<u>\$ 753,375</u>	<u>\$ 535,432</u>	<u>\$ 9,041,589</u>

*The notes to the basic financial statement are an integral part of this statement*

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	GENERAL	DEBT SERVICE	CAPITAL	Other Governmental Funds	Totals Governmental Funds
<b>CASH RECEIPTS</b>					
Property Taxes	\$8,007,839	\$421,926	\$480,996	\$0	8,910,761
Intergovernmental	5,287,292	58,719	67,339	\$560,580	5,973,930
Interest	22,276	0	146	\$46	22,468
Rental Income	19,561	0	0	\$0	19,561
Tuition and Fees	667,278	0	0	\$9,828	677,106
Food Service	0	0	0	\$152,043	152,043
Extracurricular Activities	0	0	0	\$392,963	392,963
Miscellaneous	171,843	0	210,346	\$50,672	432,861
<i>Total Receipts</i>	<u>14,176,089</u>	<u>480,645</u>	<u>758,827</u>	<u>1,166,132</u>	<u>16,581,693</u>
<b>CASH DISBURSEMENTS</b>					
Current:					
Instruction:					
Regular	6,729,418	0	0	81,916	6,811,334
Special	1,504,276	0	0	360,723	1,864,999
Vocational	56,718	0	0	-	56,718
Other Instructional	0	0	0	-	0
Support Services:					
Pupil	657,240	0	0	2,536	659,776
Instructional Staff	144,876	0	53,786	-	198,662
Board of Education	27,137	2,000	0	-	29,137
Administration	927,682	0	580	-	928,262
Fiscal	301,448	6,203	6,491	-	314,142
Business	105,730	0	0	-	105,730
Operation and Maintenance of Plant	746,423	0	0	-	746,423
Pupil Transportation	860,989	0	0	481	861,470
Central	89,054	0	0	-	89,054
Enterprise Operations	25,361	0	0	3,500	28,861
Operation of Food Services	7,592	0	0	289,058	296,650
Extracurricular Activities	319,022	0	0	492,325	811,347
Capital Outlay/ Site Improvement	8,775	0	701,353	113,486	823,614
Debt service:					
Principal	0	325,000	0	-	325,000
Interest	0	170,801	0	-	170,801
Refunding of Bonds	-	3,240,335	-	-	3,240,335
<i>Total Disbursements</i>	<u>12,511,741</u>	<u>3,744,339</u>	<u>762,210</u>	<u>1,344,025</u>	<u>18,362,315</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,664,348</u>	<u>(3,263,694)</u>	<u>(3,383)</u>	<u>(177,893)</u>	<u>(1,780,622)</u>
<b>Other Financing Sources (Uses)</b>					
Refunding of Bonds	0	3,301,679	-	-	3,301,679
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>3,301,679</u>	<u>0</u>	<u>0</u>	<u>3,301,679</u>
<i>Net Change in Fund Balances</i>	<u>1,664,348</u>	<u>37,985</u>	<u>(3,383)</u>	<u>(177,893)</u>	<u>1,521,057</u>
Fund Balances Beginning of Year	5,390,456	659,983	756,758	713,325	7,520,532
<b>Fund Balances End of Year</b>	<b><u>\$7,054,804</u></b>	<b><u>\$697,968</u></b>	<b><u>\$753,375</u></b>	<b><u>\$535,432</u></b>	<b><u>\$9,041,589</u></b>

*The notes to the basic financial statement are an integral part of this statement*

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

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
<b>CASH RECEIPTS</b>				
Property Taxes	\$ 7,891,836	\$ 7,891,836	\$ 8,007,839	\$116,003
Intergovernmental	\$ 4,975,949	\$ 4,975,949	\$ 5,211,816	235,867
Interest	\$ 9,437	\$ 9,437	\$ 22,276	12,839
Tuition and Fees	\$ 578,720	\$ 578,720	\$ 585,700	6,980
Classroom Materials and Fees	\$ 98,968	\$ 98,968	\$ 81,578	(17,390)
Revenue in Lieu of Taxes	\$ 37	\$ 37	\$ -	(37)
Miscellaneous	\$ 3,251	\$ 3,251	\$ 8,952	5,701
<b>TOTAL CASH RECEIPTS:</b>	<b>13,558,198</b>	<b>13,558,198</b>	<b>\$ 13,918,161</b>	<b>359,963</b>
<b>CASH DISBURSEMENTS</b>				
Instruction:				
Regular	6,778,375	6,778,675	6,566,607	212,068
Special	663,109	663,258	1,505,888	(842,630)
Vocational	66,215	66,215	56,718	9,497
Other Instruction	32,212	32,212	0	32,212
Support Services:				
Pupil	863,183	1,347,969	657,240	690,729
Instructional Staff	879,954	395,168	145,046	250,122
Board of Education	34,576	34,576	27,137	7,439
Administration	839,742	839,742	931,992	(92,250)
Fiscal	284,790	284,790	302,257	(17,467)
Business	171,432	171,432	105,730	65,702
Operation and Maintenance of Plant	783,477	783,477	750,990	32,487
Pupil Transportation	695,086	695,086	860,989	(165,903)
Central	105,951	105,951	71,610	34,341
Food Service Operations	0	0	7,592	(7,592)
Extra Curricular Activities	230,344	236,616	279,913	(43,297)
Capital Outlay/site improvement	6,122	48,040	48,040	0
<b>TOTAL CASH DISBURSEMENTS</b>	<b>12,434,568</b>	<b>12,483,207</b>	<b>12,317,749</b>	<b>165,458</b>
Other Financing Sources (Uses)				
Refund of prior year's Expenditures	0		75,476	75,476
Total other financing sources/ (uses)	0	0	75,476	75,476
<i>Excess of Cash Receipts over/(under) Disbursements</i>	<u>1,123,630</u>	<u>1,074,991</u>	<u>1,675,888</u>	<u>600,897</u>
<i>Fund Balance Beginning of Year (includes prior-year encumbrances appropriated)</i>	<u>4,863,483</u>	<u>4,863,483</u>	<u>4,863,483</u>	<u>0</u>
<b>FUND BALANCE END OF YEAR</b>	<b>\$5,987,113</b>	<b>\$5,938,474</b>	<b>\$6,539,371</b>	<b>\$600,897</b>

The notes to the basic financial statement are an integral part of this statement

**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF NET FUND POSITION - CASH BASIS**  
**FIDUCIARY FUNDS**  
**June 30, 2014**

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	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 41,173	\$ 38,631
	<u>41,173</u>	<u>38,631</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	41,173	0
Held on Behalf of Students	0	38,631
<i>Total Net Position</i>	<u>\$ 41,173</u>	<u>\$ 38,631</u>

*The notes to the basic financial statement are an integral part of this statement*

**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF CHANGES IN FUND NET POSITION - CASH BASIS**  
**FIDUCIARY FUND**  
**June 30, 2014**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Earnings on Investments/ Interest Income	1,015
Miscellaneous	<u>16,660</u>
Total Additions	<u><u>17,675</u></u>
<b>Deductions</b>	
Operation of Non-Instructional Services	<u>23,694</u>
Total Deductions	<u><u>23,776</u></u>
Change in Net Position	<u>(6,101)</u>
<b>Net Position- Beginning of Year</b>	<u>\$ 47,274</u>
<b>Net Position- End of Year</b>	<u><u>\$ 41,173</u></u>

*The notes to the basic financial statement are an integral part of this statement*

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**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**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 50 square miles. The District has a history of strong academic, arts and athletic success. You will find from ODE reports at <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 District's instructional/support facilities staffed by 61 classified employees, 89 certificated full-time personnel, and 5 administrators who provide services to 1,545 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups' activities. The District currently operates three buildings situated at one site location.

***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 District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Wayne Local School District, this includes general operations, food service, trust, community services, and student related activities. The District has no component units.

**Jointly Governed Organizations**

The District participates in five 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 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  
WARREN COUNTY**

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

**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 126 school districts in 18 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, 45377.

**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-three representatives from the SOITA member schools, or institutions. Nineteen representatives are elected by the qualified members from within the participating counties; i.e., Auglaize, Brown, 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 and one board member comes from non-public entities and one from higher education (Miami University).

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.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**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) and discretionary decisions are made solely by the Board of Trustees of the Library. 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 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. 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 firms of 3HAB, and Hunter Consulting provide administrative, cost controls, and actuarial services to the GRP.

**MEDICAL AND DENTAL BENEFITS**

For the fiscal year, the 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 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 the applicable school district 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.

**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 (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. The cash basis method is consistent with record keeping and current state software systems. The District has applied the use of "Other Comprehensive Basis of Accounting" (OCBOA) financial reporting and has used the American Institute of Certified Public Accountants (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. As noted while OCBOA does not represent GAAP it could currently be considered as generally applied principles for 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. But please note, we do account for and report obligations for encumbrances. An encumbrance is an approved purchase order for a service or product and represents an accrued liability. In addition we set aside cash for the calculated obligation of severance payments.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**2. Summary of Significant Accounting Policies (Continued)**

**A. Fund Accounting**

The 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 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 District's major governmental funds are the General Fund, Debt Service Fund and Capital Projects 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. The Debt Service fund is used to account for the accumulation of resources for the payment of general obligation principal and interest and certain other long term obligations from government resources when the district is obligated in some manner for payment. The Capital Projects Fund accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements, technology, and bus purchases.

**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 is therefore not available to support the District's own programs. The 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 District advisors that assist in student activities.

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

**Non-Spendable** – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

**Restricted** – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

**Committed** – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

**Assigned** – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer.

**Unassigned** – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**2. Summary of Significant Accounting Policies (Continued)**

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted net assets are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the fund balance classifications are applicable and appropriate. .

***Fund Balance Assets***

The District's total Governmental Fund balance at the end of the 2014 fiscal year was \$9,041,589 with an unassigned balance of \$6,539,371. The classifications are detailed on page 13 of the Statement of Assets and Fund Balances – Cash Basis.

**B. Basis of Presentation**

The District's basic financial statements consist of a statement of net position and the government-wide Statement of Activities, and fund financial statements providing more detailed financial information.

***Government-wide Financial Statement of Activities:*** The statement of net position and the statement of activities display information about the District as a whole, except for the aforementioned fiduciary funds. The statement reports governmental activities and 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 cash basis or draws from the District's general receipts. The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end.

***Fund Financial Statements:*** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. The District has three major governmental funds which are the "General Fund", "Debt Service Fund" and the "Capital Projects Fund" with the remaining labeled as "Other Governmental". See pages 13 & 14 of the financial statements to review the breakdown of the accounts. The remaining fund classification is the Fiduciary Fund. They are reported by type either private purpose which are typically scholarship funds or agency student activity funds. (See pages 16&17 of the financial statements).

**C. Cash and Cash Equivalents**

The 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. Earnings on investments credited to the General Fund during fiscal year 2014 were \$22,276 with a total of \$22,468 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  
WARREN COUNTY**

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

**2. Summary of Significant Accounting Policies (Continued)**

**D. Inventory and Prepaid Item**

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

**E. Capital Assets**

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

**F. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused sick leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting. However please note we have gone one step further than a mere accrual of the liability, we have 100% funded the required amounts. This ensures we can meet such obligations as they occur. We have funded the amount included in fund code 035 and it is included in the committed fund balance of the extended General Fund. The term "extended General fund" is the combination of the base general fund, the aforementioned severance fund and Public School Support funds.

**G. Long-term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments. See note 11 for debt obligation data. Please note that all required annual debt obligations for the year were met in a timely fashion.

**H. Interfund Activity**

Transfers between funds 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. The District did not have any such transfers in fiscal year 2014.

**I. 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 which is in line with our OCBOA reporting. 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.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**2. Summary of Significant Accounting Policies (Continued)**

The certificate of estimated resources may be amended during the year if the 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 the prior year. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources for federal and State grants restricted to cash disbursement for specified purposes.

The District's applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**3. Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2014 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2014 were levied after January 1, 2013, on the assessed value listed as of January 1, 2013, 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. Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real property taxes received in calendar year 2014 became a lien December 31, 2013, was levied after April 1, 2013 and is collected in 2014 with real property taxes. Public utility real property is assessed at 35 percent of true value. House Bill 66 passed in 2005 phased out the tax on tangible personal property of all general business and railroad property by 2009, and the tax on telephone and telecommunications property was eliminated in 2011.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 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, 2014.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**3. Property Taxes (Continued)**

**PROPERTY VALUATION DATA**

	FIRST HALF AMOUNT	JUL-DEC 2013 % TOTAL		SECOND HALF AMOUNT	JAN-JUNE 2014 % TOTAL
AG/RES	\$ 183,355,590	77.9%	AG/RES	\$ 185,526,660	78.5%
COMMERICAL/IND	\$ 14,498,550	6.2%	COMMERICAL/IND	\$ 14,390,570	6.1%
PUBLIC UTILITY	\$ 37,450,110	15.9%	PUBLIC UTILITY	\$ 36,544,770	15.4%
<b>TOTAL</b>	<b>\$ 235,304,250</b>	<b>100.0%</b>	<b>TOTAL</b>	<b>\$ 236,462,000</b>	<b>100.0%</b>
TAX RATE PER \$1,000 for AG/RES					
	\$ 39.33			\$ 40.62	

**4. Deposits and Investments**

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

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

**Inactive deposits** are public deposits that the 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. Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**4. Deposits and Investments (Continued)**

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 (STAR Ohio).

*(Authorized investments may include investments in commercial paper and bankers acceptances with appropriate limitations if ORC training requirements have been met.)*

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the District did not have any un-deposited cash on hand.

**Custodial Risk**

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Thus for reporting purposes we provide this disclosure of exposure to custodial risk in its entirety. At year-end, the carrying amount of the District's bank balances was \$9,534,253. Note that "carrying amount" is the bank balance without adjusting for outstanding checks or un-cleared checks. The amount of the bank balances covered by federal deposit insurance was \$1,250,000. The Securities Investor Protection Corporation (SIPC), insures investment accounts in the event of a failure, such accounts are insured up to \$500,000 per account. This includes \$250,000 in cash. Our investments in FNMA and FHLM are both backed by the good faith of the government. The remainder of our cash of \$8,284,253 is collateralized in the manner described above.

**Investments**

Investments are reported at cost, As of June 30, 2014 the District had the following investments:

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**4. Deposits and Investments (Continued)**

Investment Classification	Cost as of 6/30/2014	% of Total Investment	Maturities 1-5 Years	Maturities > 5 Years
Federal National Mortgage Association Notes	\$2,400,000	65.51%	\$2,400,000	\$0
Federal Farm Credit Bank	\$250,000	6.82%	\$250,000	\$0
Federal Home Loan Bank Notes	\$1,000,000	27.30%	\$1,000,000	\$0
Star Ohio	\$13,624	0.37%	\$13,624	\$0
<b>Total Investments</b>	<b>\$3,663,624</b>	<b>100.00%</b>	<b>\$3,663,624</b>	<b>\$0</b>

**Interest Rate Risk**

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy 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.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code. The District has limited its investment to U.S. Government agency securities and Star Ohio.

**Concentration Risk**

The District's policy does not limit the amount which the Treasurer may invest in any one issuer; however State statute limits investments in commercial paper and banker's acceptances to 25% of the interim monies available for investment at any one time.

**5. Interfund Balances**

No interfund balances exist as of June 30, 2014.

**6. Interfund Transfers**

No interfund cash transfers were completed for the year ended June 30, 2014.

**7. Risk Management**

**A. 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 under Gallagher Risk Management Services allows the EPC council to retain a portion of predictable losses, transfer a portion of catastrophic risk, and broaden our insurance program coverage. The Pool assumes the risk of loss up to the limits of the carrier. The loss fund 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:

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**7. Risk Management (Continued)**

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

**B. Workers' Compensation**

For fiscal year 2013 the District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Hunter Consulting. The intent of the GRP is to achieve the benefit of a reduced premium for the 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. The 2014 estimated savings to the District was \$15,089. 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 3-HAB Inc. provide administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

The District obtains 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.

**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 portion of the SERS payments for 2014 was \$291,005.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**8. Benefit Pension Plans (Continued)**

**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). STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole in part, by the state or any political subdivision thereof. 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.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the STRS plans for the fiscal year ended June 30, 2014 was \$834,204. This amount is withheld directly from our foundation allocation. Payments are withheld based on estimates and Wayne Local Schools is completely paid up as of June 30, 2014.

**9. Post-employment Benefits**

The employees of the District that retire under the STRS/SERS defined benefit plans could be eligible for retirement benefits. A portion of the District's required STRS/SERS payments can be used by the given board for health care benefits to eligible retirees. Currently such health benefits are provided by the State programs, but they are not guaranteed in the future. Any concerns or questions concerning such benefit plans should be addressed to the plan administrators of the respective retirement boards.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**10. Contingencies**

**A. Grants**

The 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 District at June 30, 2014.

**B. Litigation**

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

**11. Long – Term Obligations**

The changes in the District’s long-term obligations during fiscal year 2014 were as follows:

**Governmental Activities**

Description	Amount			Amount at 6/30/2014	Due In One Year
	Outstanding at 6/30/2013	Additions	Deductions		
1996 Bonds	\$ 1,030,000	\$ -	\$ (210,000)	\$ 820,000	\$ 235,000
2003 Bonds	\$ 3,300,000	\$ -	\$ (3,300,000)	\$ -	\$ -
2014 Bonds	\$ -	\$ 3,155,000	\$ -	\$ 3,155,000	\$ 115,000
<b>Sub-total</b>	<b>\$ 4,330,000</b>	<b>\$ 3,155,000</b>	<b>\$ (3,510,000)</b>	<b>\$ 3,975,000</b>	<b>\$ 350,000</b>

**Capital Appreciation**

**Bonds -2003**

Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983
<b>Sub-total Cap Bonds</b>	<b>\$ 24,983</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,983</b>

All current obligation bonds outstanding were 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 current effective tax millage are 2.0 mills. 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 a total of \$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 such future debt services were completely paid as of June 30, 2007. The refunded bonds are not included in the District’s outstanding debt since the District has satisfied its obligations through the advance refunding. In 2014 the District refinanced the entire 2003 Bond amounts on November 6<sup>th</sup> 2013. This refinancing yielded a \$195,460 savings or 24.9% savings of the interest we would have paid over the life of these bonds.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**11. Long – Term Obligations (Continued)**

The 2003 bond issue was comprised of both general obligation current interest bonds with an outstanding face value of \$3,300,000 which have now been refinanced, and capital appreciation bonds with a face value of \$24,983 with a premium of \$830,656. These CAP bonds will accrete to a value of \$2,190,000 at the time of repayment over the fiscal years of 2022-2025. The total payment of \$2,190,000 will be \$710,000 in 2023; \$730,000 in 2024; and \$750,000 in 2025. These amounts are illustrated in the payment schedule below as a total of \$2,190,000 under the Capital Appreciation Bonds section. The interest rates on the 2003 refinanced 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%.

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.

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

FY YEAR ENDING	CURRENT INTEREST BONDS			CAPITAL APPRECIATION BONDS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	ACCRETION	TOTAL
2015	\$ 350,000	\$ 129,858	\$ 479,858	\$ -	\$ -	\$ -
2016	\$ 395,000	\$ 109,019	\$ 504,019	\$ -	\$ -	\$ -
2017	\$ 445,000	\$ 86,214	\$ 531,214	\$ -	\$ -	\$ -
2018	\$ 490,000	\$ 68,988	\$ 558,988	\$ -	\$ -	\$ -
2019	\$ 515,000	\$ 59,275	\$ 574,275			
2020-2024	\$ 1,780,000	\$ 84,121	\$ 1,864,121	\$ 18,195	\$ 1,421,805	\$ 1,440,000
2025	\$ -	\$ -	\$ -	\$ 6,788	\$ 743,212	\$ 750,000
<b>TOTAL</b>	<b>\$ 3,975,000</b>	<b>\$ 537,475</b>	<b>\$ 4,512,475</b>	<b>\$ 24,983</b>	<b>\$ 2,165,017</b>	<b>\$ 2,190,000</b>

**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, 2014 is a total debt margin of \$17,979,557 including available funds of \$697,960 of the fiscal year-end balance of the Bond Retirement Fund.

**12. Set-Aside Calculations**

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition, maintenance and construction of capital assets, maintenance and improvement. 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 capital purposes:

note: A negative balance means we have exceeded the requirements and that the district <b>DOES NOT</b> have to set aside funds	Capital Improvements
Set-aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-aside Requirement	\$ 259,072
Current Year Offsets/ Disbursements	(543,600)
Totals (A Negative \$ amount indicates we exceeded the requirements)	(284,528)
Amount reserved JUNE 30, 2014--none needed	\$ -

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**12. Set-Aside Calculations (Continued)**

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.

**13. Fund Balances**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

FUND BALANCES	GENERAL	CAPITAL	DEBT SERVICE	OTHER GOVERNMENTAL	TOTAL
<b>RESTRICTED FOR</b>					
FOOD SERVICE OPERATIONS				\$ 147,049	\$ 147,049
DEBT SERVICE PAYMENTS			\$ 697,978	\$ -	\$ 697,978
BUILDING FUND				\$ 193,559	\$ 193,559
STAFF FUNDED SCHOLARSHIPS				\$ 12,432	\$ 12,432
STUDENT OR DISTRICT MANAGED ACTIVITIES GRANTS				\$ 182,315	\$ 182,315
<b>TOTAL RESTRICTED</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 697,978</b>	<b>\$ 535,355</b>	<b>\$ 1,233,333</b>
<b>COMMITTED TO</b>					
SEVERANCE PAY	\$ 115,250				\$ 115,250
PERMANENT IMPROVEMENT		\$ 753,375			\$ 753,375
ADULT EDUCATION				\$ 77	\$ 77
<b>TOTAL COMMITTED</b>	<b>\$ 115,250</b>	<b>\$ 753,375</b>		<b>\$ 77</b>	<b>\$ 868,702</b>
<b>ASSIGNED TO</b>					
CENERAL FUND ENCUMBRANCES	\$ 75,235				\$ 75,235
PUBLIC SCHOOL SUPPORT	\$ 324,948				\$ 324,948
<b>TOTAL ASSIGNED TO OTHER PURPOSES</b>	<b>\$ 400,183</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 400,183</b>
<b>UNASSIGNED</b>	<b>\$ 6,539,371</b>	<b>\$ -</b>		<b>\$ -</b>	<b>\$ 6,539,371</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 7,054,804</b>	<b>\$ 753,375</b>	<b>\$ 697,978</b>	<b>\$ 535,432</b>	<b>\$ 9,041,589</b>

**14. Compliance and Accountability**

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B) require school districts to prepare its financial statements in accordance with GAAP. However Wayne Local Schools prepares our cash based statements under the AICPA's guidelines for presentation. According to the State Auditor's Bulletin 2005-002 if a GAAP mandated entity follows the AICPA interpretation by preparing statements that substantially conform to the display and disclosure requirements of GASB, then the District would not receive an adverse opinion concerning our statements and disclosure. We feel we substantially conform to the rules.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**14. Compliance and Accountability (Continued)**

As such the Wayne Local School follows the AICPA practices aid series in applying a standard of "Other Comprehensive Basis of Accounting" commonly known as "OCBOA" or what is now termed "special-purpose framework" in our financial statement presentation. The AICPA series clearly indicates that nationally, as many as 75% state and local governmental entities use a basis of accounting other than GAAP. In Ohio, many entities as pointed out in State Auditor's Bulletin 2005-002 prepare their financial statements on a cash basis.

GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user. In fact the District's legal appropriations and cash rules require us to present those results on a cash basis and not on any GAAP basis that would include accruals or deferrals. The Wayne Local Schools Board of Education has determined that OCBOA is cost effective, provides users a clear picture of the District's results, and is consistent with the legal requirements of other state submissions such as the five year forecast and annual required tax budgets.

**15. Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis are: (1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis); and (2) Some funds are reported as part of the General Fund (cash basis) as opposed to the General Fund being reported alone (budgetary basis). The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

	<u>Net Change in Fund Balance</u>
Cash Basis	1,664,348
Adjustment for Encumbrances	(75,235)
Funds Budgeted Elsewhere	<u>86,775</u>
Budget Basis	<u><u>1,675,888</u></u>

WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
*Schedule of Federal Awards Receipts and Expenditures*  
June 30, 2014

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<u>Child Nutrition Cluster:</u>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555		\$26,294		\$26,294
Cash Assistance:						
National School Breakfast Program	2014	10.553	22,441		22,441	
National School Lunch Program	2014	10.555	109,331	0	109,331	0
Total Child Nutrition Cluster			<u>131,772</u>	<u>26,294</u>	<u>131,772</u>	<u>26,294</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>131,772</u></b>	<b><u>26,294</u></b>	<b><u>131,772</u></b>	<b><u>26,294</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
<u>Special Education Cluster:</u>						
Special Education-Grants to States	2014	84.027	236,475	0	236,475	0
Special Education-Preschool Grants	2014	84.173	2,536	0	2,536	0
Total Special Education Cluster			<u>239,011</u>	<u>0</u>	<u>239,011</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2014	84.010	96,787	0	96,787	0
Improving Teacher Quality State Grants	2014	84.367	27,461	0	27,461	0
ARRA-Race to the Top	2014	84.395A	19,939	0	19,939	0
Formative Assessment Grant	2014	84.395A	29,050	0	29,050	0
Formative Assessment Grant	2013	84.395A	0	0	8,881	0
			48,989	0	57,870	0
<b>Total U.S. Department of Education</b>			<b><u>412,248</u></b>	<b><u>0</u></b>	<b><u>421,129</u></b>	<b><u>0</u></b>
<b>Total Federal Assistance</b>			<b><u>\$544,020</u></b>	<b><u>\$26,294</u></b>	<b><u>\$552,901</u></b>	<b><u>\$26,294</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Local School District, Warren, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2015, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider findings 2014-003 and 2014-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-002 described in the accompanying schedule of to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

***District's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 5, 2015



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Wayne Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal program for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

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

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

January 5, 2015

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

**FINDING NUMBER 2014-001**

**Noncompliance**

**Ohio Rev. 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 Admin. Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. As such we recommend the District prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

Cash based reporting with consideration of encumbrances, reserves, and adequate footnotes effectively and efficiently meet the needs of our Board and Citizens. The use of GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user.

All of the District's legal appropriations and forecasts as required by the state are on a cash basis presentation and not on a GAAP basis. The rising complexity and cost associated with GAAP rules, interpretations, presentation and subsequent audits are driving a movement to the use of Special-Purpose Framework presentation.

The Wayne Local Schools Board of Education has determined that the use OCBOA or Special-Purpose Framework presentation is cost effective and provides users a clear picture of the District's results, and is consistent with the legal requirements of other state submissions such as the five year forecast and annual required tax budget.

**FINDING NUMBER 2014-002**

**Noncompliance and Significant Deficiency**

**Ohio Admin. § Code Section 117-2-01 (D)** states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The District lacked management oversight to ensure that the financial statements reflected the official budget posted to the accounting system.

**FINDING NUMBER 2014-002**  
**(Continued)**

<b>Line item</b>	<b>Amounts per the financial statements</b>	<b>Amounts per the accounting system</b>	<b>Variance</b>
<b><i>Original Budgeted Amounts:</i></b>			
<b>CASH RECEIPTS</b>			
Intergovernmental	\$ 5,117,751	\$ 4,975,949	\$ (141,802)
<b>CASH DISBURSEMENTS</b>			
Instruction:			
Regular	6,649,801	6,778,375	128,574
Special	1,479,334	663,109	(816,225)
Vocational	56,718	66,215	9,497
Other Instruction	2,020	32,212	30,192
Support Services:			
Pupil	682,232	863,183	180,951
Instructional Staff	150,012	879,954	729,942
Board of Education	25,725	34,576	8,851
Administration	937,066	839,742	(97,324)
Fiscal	309,915	284,790	(25,125)
Business	115,240	171,432	56,192
Operation and Maintenance of Plant	790,077	783,477	(6,600)
Pupil Transportation	856,228	695,086	(161,142)
Extracurricular Activities	236,616	230,344	(6,272)
Capital Outlay/site improvement	184,633	6,122	(178,511)
<b><i>Final Budgeted Amounts:</i></b>			
<b>CASH DISBURSEMENTS</b>			
Instruction:			
Regular	\$ 6,688,033	\$ 6,778,675	\$ 90,642
Special	1,479,334	663,258	(816,076)
Vocational	56,718	66,215	9,497
Other Instruction	2,020	32,212	30,192
Support Services:			
Pupil	682,232	1,347,969	665,737
Instructional Staff	150,012	395,168	245,156
Board of Education	25,725	34,576	8,851
Administration	937,066	839,742	(97,324)
Fiscal	309,915	284,790	(25,125)
Business	115,240	171,432	56,192
Operation and Maintenance of Plant	790,077	783,477	(6,600)
Pupil Transportation	856,228	695,086	(161,142)

The District posted audit adjustments to the accompanying financial statements to correct the above variances.

Failure to properly present accurate budget amounts reduces management's ability to compare the actual financial activity with budgeted amounts. We recommend that the District implement controls to ensure that accurate budget amounts are presented in the financial statements.

**FINDING NUMBER 2014-002**  
**(Continued)**

**Officials' Response:**

The district's legal level of control is at the fund level. Please reference the Auditor of State Bulletin 97-010 as our budget expenditures did coincide with the appropriations as passed by the Board of Education. The legal level of control is the level at which the entity should present financial statements. The Wayne Local presentation did tie in total to the original budget as approved by the board of education. "BUDSUM" is a report from a subsystem available to Districts that use the state software. A treasurer can use the system or any system to input budget data. The District's planning focus is placed with the district developed five year planning model that is used for both current and long term forecasting. This outlook allows for longer term planning and the ability to provide the opportunity for superior investment returns. For the Column labeled "Original Budget" We do agree that BUDSUM was not updated for the individual function type but the total budget expenditure did tie to the original fund level amount. The function level dollars that I used in the original unaudited statements were my best estimate of where the budgets would have been if the details had been updated. Our total line presentation did tie to our original fund level totals.

Our "final budget" column did represent what was in BUDSUM at the function level. I have attached the documents and our final Board Approved budget to support our presentation. The details of estimated resources and budgets that were forwarded to our County Auditor are in synch. I respectfully ask that I be able to show our final budget with the numbers that were in our planning model and in the BUDSUM system. These dollars were presented in my original financial statements. (*Auditor of State note: District officials attached BUDSUM budgetary reports to their response*).

BUDSUM is not used by the district as a source of financial control. However to avoid such auditor concerns, moving forward the district will have BUDSUM in synch with the District's "budget vs. actual statement". We will continue to use our planning model and "employee costing" model to analyze our cash projections. We will continue to have our budgets approved at the fund level and follow the Auditor of State Bulletin 97-010.

**Auditor of State Conclusion:**

The District is allowed to set the legal level of control for appropriations at the fund level per Ohio Administrative Code section 116-6-02:

"At a minimum, appropriation measures shall be classified to set forth separately the amounts appropriated by fund. The appropriation measure as passed by the school board shall be the legal level of control. This is the level at which compliance with statutory budgetary requirements will be determined . . ."

*Original Budget Amounts in the General Fund Budget and Actual Statements exceeded the original budget by the Board at the fund level (legal level of control):*

The District did appropriate at the fund level; however , the original cash disbursement budgeted amounts presented by the District in the General Fund Budget and Actual financial statements were \$147,000 greater than the September 9, 2013 Board approved permanent appropriations for fiscal year 2014 (Resolution #2421-13).

Also, the original cash receipt budgeted amounts presented by the District in the General Fund Budget and actual financial statements were \$141,802 greater that the September 9, 2013 the Board approved estimated resources for fiscal year 2014 (Res. #2421-13).

**FINDING NUMBER 2014-002  
(Continued)**

*Amounts presented in the General Fund Budget and Actual Statements did not tie to the final budget amounts in the accounting system at the function level:*

Although the legal level of budgetary control is the fund level and board approval is required for appropriation adjustments only at the fund level, the District presented General Fund Budget and Actual information at the function level.

The final estimated revenue and appropriations the District presented in the General Fund Budget and Actual Statements agreed to the June 9, 2014 Board approved final estimated resources and appropriations for fiscal year 2014 (Res. #2488-14) at the fund level. However, final appropriations the District presented in the Budget and Actual Statements at the function level did not agree to the appropriations posted to the accounting system at the function level by as much as \$816,078.

The District's Budget and Actual Statements should reflect the amounts posted to the District's accounting system.

**FINDING NUMBER 2014-003**

**Material Weakness**

**Governmental Accounting Standards Board (GASB) 34, par. 76 (as amended by GASB 37 par. 15),** defines major funds as those with:

- A) Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total (assets + deferred outflows, liabilities + deferred inflows, etc.) for all funds of that category or type (i.e., total governmental or total enterprise), and
- B) The same element that met the 10% criterion in (A) is at least 5% of the corresponding element total for all governmental plus enterprise funds combined.
- C) The general fund is always a major fund.

In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The District performed a major fund calculation which showed that the Debt Service fund should be major because total disbursements met the 10% and 5% criteria mentioned above. However, the District did not report this fund as major on its financial statements.

Failure to report all major funds results in material misstated financial statements. Inaccurate financial statements reduce the management's ability to monitor financial activity and make informed financial decisions.

The District posted adjustments to the accompanying financial statements to report the Debt Service Fund as a major fund.

We recommend that the District implement controls to ensure financial reporting in accordance with GASB 34.

**FINDING NUMBER 2014-003**  
**(Continued)**

**Officials' Response:**

The district did prepare the necessary worksheet for calculation of the funds for determination to be "major funds". The auditor and treasurer had discussion on why the district did not feel it necessary to separate the debt service fund into a separate column on two of our financial statements and within footnote 13 of our statements. We have no issue with separating out the fund. The question we had is "does the inflow of cash and outflow of cash from other sources and uses (in this case bond sales and bond retirement) constitute a revenue or an expense?" The district was simply a conduit for the inflow from bond sales and the outflow of bond retirement. The refunding transaction was detailed in Note 11 and gave disclosure of the refunding. We have not released our financial statements to anyone so the question to appropriateness should be considered and be a discussion point. The district had no issue with making this change. However we disagree with the statement above: "Failure to report all major funds results in material misstated financial statements. Inaccurate financial statements reduce the management's ability to monitor financial activity and make informed financial decisions." The District's proactive approach led to the ability to make an informed decision and to extend a comprehensive effort to refund the bonds for the second time at an additional savings to the taxpayer. Many treasurers are under the impression that you cannot refund bonds a second time. We have no issue with the recommended change and we welcome the opportunity to further highlight the effort and result of an informed decision and positive transaction.

**Auditor of State Conclusion:**

The GASB 34 criteria stated in the finding is specific in regards to the quantitative elements in determining Major Funds. The Debt Service Fund met the quantitative criteria and should have been included by the District as a Major Fund.

**FINDING NUMBER 2014-004**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District did not accurately report financial activity for the fiscal year ended June 30, 2014. We noted the following errors:

1. The District reported \$110,560 within Other Governmental Funds as Operation of Food Services disbursements instead of Capital Outlay/Site Improvement disbursement
2. The District reported General Fund Encumbrances as part of the General Fund Committed Fund Balance rather than Assigned Fund Balance (\$75,235).
3. GASB codification section D20.109 requires that "For current and advance refundings resulting in defeasance of general long-term debt, the face amount of the new debt should be reported as an "other financing source—refunding bonds" in the governmental fund receiving the proceeds. The District had a current refunding of debt during the audit period. However, the District presented on the financial statements the proceeds of the refunding bonds and premium, totaling \$3,301,679, as a Cash Receipt instead of an Other Financing Source.

The District has posted these adjustments to the financial statements.

**FINDING NUMBER 2014-004  
(Continued)**

Failure to accurately report financial activity can result in inaccurate financial statements. The District should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information.

**Officials' Response and Auditor of State Conclusion (Responses and conclusions are numbered to correspond to the numbers in the finding above)**

**Officials' Response to 1:**

The district respectfully disagrees with this comment and the suggested change to our financial presentation. The \$110,560 was spent within fund code 006 (food service account) for much needed improvement in the service lines of our aged operations. Our selected line item of the presentation is "Operation of Food Services" The presentation is very important to the district for two reasons. One, the district did not use Permanent Improvement or any levied tax dollars to pay for much needed improvement in the cafeteria infrastructure. We banked the excess of revenue over expenses for the café operations for that last 3 years and this fund code 006 Operation of Food Service's cash balance funded the expenditure. The café operates without the assistance of the general fund. We ask that you consider the presentation on the "Operation of Food Services" as both accurate and appropriate. This presentation of the Cafeteria expenditures has been consistently reported in this manner for every year since fiscal year 2004-2005. We would ask that we be allowed to continue this consistency.

**Auditor of State Conclusion for 1:**

The District posted in their accounting system \$110,560 to Fund 006-5500. Per the USAS Manual, function 5500 should be used to account for Building Acquisition & Construction Services. In the prior year audit, there were no expenditures in Fund 006 charged to function 5500. They were all charged to function 3100 which is used to account for Food Service Operations. In fiscal year 2014, the District spent \$110,560 from Fund 006 on physical improvements to the cafeteria which should be charged to Fund 006-5500 and thus reported as Capital Outlay/Site Improvement disbursements on the financial statements.

**Officials' Response to 2:**

In 2013 the State Auditors and the Treasurer of Wayne Local had positive discourse on the definition of committed vs. assigned as to fund balances. The example on Page 34 of the 2013 FY statements was a new disclosure as requested by the State Auditors. In that new disclosure our encumbrances were shown as "Committed" and not as "Assigned. The FY 2013 District's General Fund Encumbrances were \$81,588 and were shown as a "Committed Fund Balance" on page 15 and page 34 in last year's statements. ". FY 2014 statements are consistent with the 2013 presentation. Please note this issue did not change our cash position nor does this impact our "unrestricted cash" position. If there is a change in direction we will make the change as you have written. I could not find any bulletins that would have required a change in our presentation. Outstanding year-end encumbrances are treated as cash disbursements in select financial statements rather than restricted, committed, or assigned fund balance (cash basis). General fund encumbrances truly are committed to pay off legal obligations. In some cases we have received the goods or services and are awaiting an invoice. This would be a commitment of funds and not an assignment of funds. In any event I will change to whatever direction you provide, but in review of the last three years one can surmise the definitions are troublesome for Accountants and I question the confusion of terminology to the local resident that would read our statements and subsequent comments. Our original 2014 presentation was consistent with last year's statements

**FINDING NUMBER 2014-004  
(Continued)**

**Auditor of State Conclusion to 2:**

The District is required to comply with GASB 54. As explained in the encumbrance section on page 4 of AOS Bulletin 2011-004, "Issuing a purchase order assigns the amount of the purchase order to a specific purpose; thus, the outstanding encumbrance amount is included in assigned fund balance, unless the purchase order relates to restricted or committed resources."

**Officials' Response to 3:**

Please reference our "STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES". The district completed a second refinancing /refunding of our construction bonds in the fall of 2013. We did not use an escrow agent to hold the funds. The physical transaction is that we received money from the sale of the new bonds. The amounts were placed in our Bank Account and were entered into the accounting records as a "receipt". This receipt is captured in our accounting records and then carried over to our financial statements as a "receipt". I inserted a line labeled "Refinancing of Bonds" and presented the correct amount of \$3,301,679. Likewise the amount for the retirement of the old bonds was shown as an expense of \$3,240,335. The District's statements clearly present the funds coming in as a receipt and accurately show the money going out to retire existing bonds. Our notes to the financials depict the effort and the savings to the taxpayer. The suggested change is to move the line item with the same dollar amount to a new line labeled " Other Financing Source" , I agree that the suggested change in presentation is an improvement but I think one more change needs to be made. I suggest a move of the cash outflow of the Bonds that were retired under the caption "Other Sources and Uses of Funds". The format of presentation is the issue and I do not believe the original presentation rises to the level of a material misstatement of financial information. The real objective of financial statements is to allow the reader to garner understanding of what occurred within an Organization's funds during the given year. Past questions or concerns such as the one cited would have led to an exchange of ideas on the subject matter and then subsequent presentation or reporting adjusted would be made as needed. If a third party preparer was used then discussion would take place between the State Audit Staff and the third Party Preparer and the proper format then selected. The refunding and refinancing of outstanding debt for a district typically occurs a maximum of one time over the thirty year life of the bond's duration. No misstatement of dollar amounts occurred and no misstatement of reporting was intended. The Wayne Local Statements have not been released to anyone to date.

**Auditor of State Conclusion for 3:**

In order to comply with the financial statement presentation required by GASB codification section D20.109 for advance refundings resulting in defeasance of general long-term debt, the District recorded a \$3,301,679 audit adjustment. For the 2014 audit, any adjustment to the Debt Service exceeding \$262,104 (7% of total Debt Service Fund disbursements) was considered material to the Debt Service Fund opinion unit, and we classified this as a material weakness in accordance with AU-C 265.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2014-001

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# Dave Yost • 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  
JANUARY 20, 2015**