



**Auditor of State
Betty Montgomery**

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Wayne Local School District, Warren County, Ohio, as of June 30, 2004, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 22, 2005

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited

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, 2004. The intent of this discussion and analysis is to look at the district's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the districts financial results.

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

- Net cash assets of governmental activities increased by \$415,142
- At the close of the 2004 fiscal year Wayne Local Schools' governmental funds reported a combined unencumbered ending cash fund balance of \$2,849,352. Of this amount \$2,427,712 is available for spending to support operations at Management's discretion.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 9 of the report.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited
(Continued)

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

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

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

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

The cash basis governmental fund financial statement can be found on page 11 of this report.

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

The basic fiduciary fund financial statement can be found on page 14 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 17 to 29 of this report.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited
(Continued)

Government-Wide Financial Analysis

As noted earlier net assets cash basis serve over time as a useful indicator of a school district's financial position. This is the first year for Wayne Local Schools in implementing a new standard of reporting. Wayne Local has chosen to report financials on the *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Statement No. 34. This format requires a comparative analysis of Government-wide data in the Management Discussion and Analysis section. Since this is the first year of implementing the standard, comparative data is not available for changes in net assets. The District chose not to present comparative data. In future years, comparative data will be presented.

Wayne Local Schools Net Assets - Cash Basis

	2004 Governmental Activities
Cash	\$ 28,019
Cash Equivalents	3,054,798
Total Assets	\$3,082,817
Restricted for:	
Debt Service	\$ 421,640
Unrestricted	\$2,661,177
Total Net Assets	\$3,082,817

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year Wayne Local School's governmental funds reported a combined ending fund (cash basis) balances of \$3,082,817 an increase of 15.6% in comparison to the previous year. Of this amount \$2,661,177 constitutes an unreserved fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is reserved to indicate the amounts are not available for new spending because the cash has already been committed.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited
(Continued)

The general fund is the chief operating fund of the Wayne Local Schools. At the end of the current fiscal year the unreserved fund balance was \$1,739,410. This amount is net of encumbrances of \$112,543. The general fund had \$9,147,735 of receipts and \$8,960,908 of expenses. Wayne Local School continues to examine cost improvement initiatives.

The General Fund balance of the Wayne Local School District increased by \$186,827 during the fiscal period ending June 30, 2004. This increase was due both cost containment and revenue enhancements. The District continues to save in the area of workers compensation expenses by participating in a group rating pool. We have saved in paper usage, phone expense and in the area of financial operations by the reduction of personnel expense. On the revenue side, fiscal year 2004 was the first year of tax collections from the recently passed emergency levy. This levy was passed in 2003 to provide operating funds to the District. On the downside the state changed the funding rules for ADM and the District experienced a major loss in state funds of **\$124,095**.

General Fund Budgetary Highlights

The District's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant and highest dollar volume budgeted fund is the General Fund.

During the course of the year, as allowed by law and changes in economics, the District revised the General Fund budget at various times. The final adjusted budget as with past year's budgets, attempts to include all cost savings initiatives and projected economic factors in the budget.

For the year ended June 30, 2004, General Fund disbursements were \$165,809 less than the final budget appropriations. Under state law a state district cannot allow expenditures to exceed budgeted amounts. As such, the typical treasurer should budget with fiscal constraints in mind, yet allow for contingencies to ensure meeting statutory requirements. As such, a typical district should inherently have actual expenditures be lower than budgeted amounts. One of our larger savings in expenses was due to increased grant funds that allowed for savings in the General Fund. The District saved in various salary and benefit accounts due to such grant allocations.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited
(Continued)

On the revenue side, actual revenues for the General Fund were \$331,610 above the final revenue budgeted amount. Though state aid was less than forecasted, revenues generated from the recently passed levy exceeded estimates. Under state law a district cannot budget total resources to exceed actual amounts. As such, treasurers must be a little conservative in budgeting revenues. Districts should have actual revenues meet or hopefully exceed budgeted amounts. Please note in addition to the budgets, the treasurer prepares a forecast and five year plan that is used as the planning tools of the district. These tools allow for a precise outlook of the financial picture of the district.

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2005 budget various factors were considered. On the cost side, Health Care Insurance costs continue to be a major concern. Medical rates went up 18.8% over the previous year. This increase amounts to \$119,000 in increased year to year costs. A majority of our costs are "people cost driven". The 2005 forecast does not include any added headcount. Certified and non-certified staff pay increases are included in the cost budget.

On the revenue side, concerns continue on the adequacy of State funding and specifically the phantom revenue problem caused by the 23 mill charge off. School district millage decreases as property values rise. However the state subtracts the equivalent of 23 mills from the base state funding amounts on all property in the district. Thus as property values rise the district receives a fixed amount of funds from the local citizenry (until the 20 mill floor is met) but the state offsets state funding at a rate of 23 mills on the total of the accessed value of property in the district. This is why the term "phantom revenue" is attached to Ohio school funding. Even if a district is at the 20 mill floor, the district will lose a minimum of the value of 3 mills on all increasing property growth. Over time this mechanism pushes a bigger and bigger share of school funding to the local taxpayer. As a result of property growth in Waynesville and the change in state calculated average daily student membership the District received less state aid in 2004 than received in fiscal year 2003.

Outstanding Debt

The District completed an advance refinancing of select bonds in June of 2003 that were previously issued in 1995 for the construction of a new high school. The total outstanding debt as of June 30, 2004 is \$6,644,983. As a result of the combination of various factors including the June 2003, bond refinancing, the initiative will allow for a property tax millage reduction to the local taxpayers. These amounts are in the 2006 tax budget and the District anticipates that the county auditor will ultimately set the reduced taxing rates. Note 11 of the financial statements illustrate the changes in the District's long-term obligations.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2004
Unaudited
(Continued)

Request for information

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
AS OF JUNE 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,082,817</u>
Total Assets	<u><u>\$3,082,817</u></u>
Net Assets:	
Restricted/Reserved For:	
Debt Service	\$421,640
Unrestricted	<u>2,661,177</u>
Total Net Assets	<u><u>\$3,082,817</u></u>

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash</u> <u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Receipts</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
Governmental Activities				
Instruction:				
Regular and Special	5,817,468	79,988	382,226	(5,355,254)
Vocational	61,735	0	0	(61,735)
Adult/Continuing	4,000	0	0	(4,000)
Other Instruction	28,799	0	0	(28,799)
Support Services:				
Pupil	413,076	0	0	(413,076)
Instructional Staff	449,140	0	0	(449,140)
Board of Education	11,548	0	0	(11,548)
Administration	730,860	0	0	(730,860)
Fiscal	319,558	0	0	(319,558)
Business	159,956	0	0	(159,956)
Operation and Maintenance of Plant	716,759	0	0	(716,759)
Pupil Transportation	579,253	0	0	(579,253)
Central	31,502	0	0	(31,502)
Operation of Non-Instructional Services	12,249	0	0	(12,249)
Operation of Food Services	317,351	260,850	55,186	(1,315)
Extracurricular Activities	426,284	388,857	0	(37,427)
Capital Outlay/Site Improvement	213,126	0	0	(213,126)
Debt Service:				
Principal and Interest Charges	594,167	0	0	(594,167)
Total Governmental Activities	<u><u>\$10,886,831</u></u>	<u><u>\$729,695</u></u>	<u><u>\$437,412</u></u>	<u><u>(9,719,724)</u></u>

General Receipts:	
Property Taxes Levies for:	
General Purposes	\$4,204,688
Debt Service	679,420
Capital Outlay	278,129
Grants and Entitlements not	
Restricted to Specific Programs	4,928,687
Investment Earnings	30,054
Miscellaneous	13,888
Total General Receipts	<u><u>10,134,866</u></u>
 Change in Net Assets	 415,142
 Net Assets Beginning of Year	 <u><u>2,667,675</u></u>
 <i>Net Assets End of Year</i>	 <u><u>\$3,082,817</u></u>

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004**

	General	Other Governmental Funds	Totals Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,097,186</u>	<u>\$985,631</u>	<u>\$3,082,817</u>
Total Assets	<u><u>\$2,097,186</u></u>	<u><u>\$985,631</u></u>	<u><u>\$3,082,817</u></u>
Fund Balances			
Reserved for Encumbrances	112,543	120,917	233,460
Unreserved:			
Designated for budget stabilization	245,233	0	245,233
Undesignated , Reported in:			
General Fund	1,739,410	0	1,739,410
Special Revenue Funds	0	137,703	137,703
Debt Service Fund	0	421,640	421,640
Capital Projects Funds	<u>0</u>	<u>305,371</u>	<u>305,371</u>
Total Fund Balances	<u><u>\$2,097,186</u></u>	<u><u>\$985,631</u></u>	<u><u>\$3,082,817</u></u>

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Receipts			
Property Taxes	\$4,204,688	\$957,549	\$5,162,237
Intergovernmental	4,809,024	557,075	5,366,099
Interest	26,560	3,494	30,054
Tuition and Fees	79,988	0	79,988
Food Service	0	259,974	259,974
Extracurricular Activities	2,133	275,815	277,948
Miscellaneous	23,092	100,331	123,423
<i>Total Receipts</i>	<u>9,145,485</u>	<u>2,154,238</u>	<u>11,299,723</u>
Disbursements			
Current:			
Instruction:			
Regular	4,695,768	189,442	4,885,210
Special	781,309	150,949	932,258
Vocational	61,735	0	61,735
Adult/Continuing	0	4,000	4,000
Other Instructional	13,058	15,741	28,799
Support Services:			
Pupil	268,909	144,167	413,076
Instructional Staff	444,640	4,500	449,140
Board of Education	10,355	1,193	11,548
Administration	730,337	523	730,860
Fiscal	304,521	15,037	319,558
Business	159,956	0	159,956
Operation and Maintenance of Plant	714,381	2,378	716,759
Pupil Transportation	579,253	0	579,253
Central	23,647	7,855	31,502
Operation of Food Services	0	317,351	317,351
Extracurricular Activities	160,790	265,494	426,284
Capital Outlay		213,126	213,126
Other Non-instructional	12,249	0	12,249
Debt Service:			
Principal Retirement	0	295,000	295,000
Interest and Fiscal Charges	0	299,167	299,167
<i>Total Disbursements</i>	<u>8,960,908</u>	<u>1,925,923</u>	<u>10,886,831</u>
<i>Excess of Receipts Over Disbursements</i>	<u>184,577</u>	<u>228,315</u>	<u>412,892</u>
Other Financing Sources			
Sale of Fixed Assets	2,250	0	2,250
<i>Total Other Financing Sources</i>	<u>2,250</u>	<u>0</u>	<u>2,250</u>
<i>Net Change in Fund Balances</i>	<u>186,827</u>	<u>228,315</u>	<u>415,142</u>
Cash Fund Balances Beginning of Year	<u>1,910,359</u>	<u>757,316</u>	<u>2,667,675</u>
Cash Fund Balances End of Year	<u>\$2,097,186</u>	<u>\$985,631</u>	<u>\$3,082,817</u>
Reerved for Encumbrances	\$111,360	\$122,100	\$233,460

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts:				
Property Taxes	\$3,668,889	\$3,588,298	\$4,204,688	\$616,390
Intergovernmental	5,223,289	5,108,260	4,809,024	(299,236)
Interest	17,081	17,145	26,031	8,886
Tuition and Fees	4,495	4,154	6,534	2,380
Classroom Materials and Fees	72,820	71,559	73,454	1,895
Revenue in Lieu of Taxes	0	0	143	143
Miscellaneous	3,596	3,608	4,760	1,152
<i>Total Receipts</i>	8,990,170	8,793,024	9,124,634	331,610
Disbursements:				
Instruction:				
Regular	4,471,425	4,854,906	4,695,768	159,138
Special	742,050	875,101	781,309	93,792
Vocational	58,650	64,082	61,735	2,347
Other Instruction	1,275	11,659	13,058	-1,399
Support Services:				
Pupil	255,850	268,489	268,909	-420
Instructional Staff	422,450	419,570	444,640	-25,070
Board of Education	10,200	79,039	10,355	68,684
Administration	693,600	679,994	730,337	-50,343
Fiscal	289,000	274,572	304,521	-29,949
Business	152,150	159,225	159,956	-731
Operation and Maintenance of Plant	678,300	788,455	714,381	74,074
Pupil Transportation	549,950	423,079	579,253	-156,174
Central	22,100	37,552	23,647	13,905
Academic and Subject Oriented Activi	34,000	35,823	35,915	-92
Sports Oriented	117,300	139,784	123,077	16,707
Co-Curricular Activities	1,700	3,143	1,803	1,340
<i>Total Disbursements</i>	8,500,000	9,114,473	8,948,664	165,809
<i>Net Change in Fund Balance</i>	490,170	-321,449	175,970	497,419
<i>Fund Balance Beginning of Year</i>	1,846,656	1,846,656	1,846,656	0
Prior Year Encumbrances Appropriated	98,299	98,299	98,299	0
<i>Fund Balance End of Year</i>	\$2,435,125	\$1,623,506	\$2,120,925	\$497,419

See accompanying notes to the basic financial statements

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
AS OF JUNE 30, 2004**

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,528	\$24,907
Net Assets:		
Restricted for Scholarships	11,528	0
Unrestricted	0	24,907
Total Net Assets	\$11,528	\$24,907

See accompanying notes to the basic financial statements

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Private Purpose Trust</u>
Additions	
Earnings on Investments	\$500
Extracurricular Activities	-
Miscellaneous	<u>11,404</u>
Total Additions	<u>11,904</u>
Deductions	
Regular	185
Extracurricular	16,800
Operation of Non-Instructional Services	<u>0</u>
Total Deductions	16,985
Change in Net Assets	(5,081)
Net Assets - Beginning of Year	<u>16,609</u>
Net Assets - End of Year	<u><u>\$11,528</u></u>

See accompanying notes to the basic financial statements

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Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

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

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the School District's instructional/support facilities staffed by 50 classified employees, 91 certificated full-time personnel, and 4 administrators who provide services to 1,314 students (average daily membership per ODE method of equivalent student calculations) and numerous community members, groups and activities.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent's Association:

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

Warren County Career Center

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school Districts in 13 counties. The SOEPC acts as its own fiscal agent and is a Regional Council of Governments. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member Districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

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

Southwestern Ohio Instructional Technology Association

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

All superintendents, except those from educational service centers, vote on the election of nominated representatives. One at-large representative is elected by the non-public school SOITA members from within the state assigned SOITA service area, and one at-large representative is elected by higher education SOITA members from within the state assigned SOITA service area.

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

Southwestern Ohio Computer Association (SWOCA)

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

Jewell Education Foundation

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOL

For fiscal year 2004 the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

MEDICAL AND DENTAL BENEFITS

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), and insurance purchasing pool. The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school district is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its medical and dental insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation is limited to school districts that can meet the MBP's selection criteria.

Note 2 – Summary of Significant Accounting Policies

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

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

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies(continued)

A. Fund Accounting

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

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

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

B. Basis of Presentation

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

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

Fund Financial Statements: Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Cash and Cash Equivalents

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

The District values cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 was \$29,481, with a total of \$30,554 for all funds.

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies(continued)

D. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the source of potential restrictions. The District has met all State requirements for textbooks, instructional materials and capital improvements. The Statement of Net Assets Cash basis all funds indicates a restriction of cash for debt service. This amount is the entire balance as of fiscal year end that is to be debt retirement and related costs to such debt retirement on the bonds issued for construction of the school facilities.

E. Designated Assets

The Board has a set aside (not state mandated) \$245,233. This amount was previously established under past and now renounced state statute concerning rainy-day set aside requirements. The Board, though not required by state law, continues to desire to display this amount as a safety net or rainy day type funds. The other restricted assets in \$11,528 which is the total fiscal year end balance of Trust type accounts held for scholarships, awards etc. (See Note 12 for additional information regarding set-asides.)

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

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

J. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 2 – Summary of Significant Accounting Policies(continued)

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements. No interfund exchanges occurred in fiscal year 2004.

L. Budgetary Data

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

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

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

Note 3 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 3 - Property Taxes (Continued)

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2004 tangible personal property tax settlement was not received until July 2004. The District receives property taxes from Warren and Greene County. The Warren County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 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, 2004.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second-		2004 First-	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$142,119,020	91.4 %	\$159,814,760	92.6 %
Public Utility Personal	\$ 10,060,210	6.5 %	\$ 9,268,290	5.4% %
Tangible Personal Property	\$ 3,297,084	2.1%	\$ 3,464,550	2.0%
Total	\$155,476,314	100.00 %	\$172,547,600	100.00 %
Tax rate per \$1,000 of Assessed valuation	\$31.04		\$36.31	

Note 4- Deposits and Investments

Ohio law restricts deposits and investments to the following:

1. Commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts;
2. Money market deposits;
3. Savings accounts or certificates of deposit;
4. United States Treasury securities, or securities of its agencies or instrumentalities the federal government guarantees;
5. No-load money market mutual funds consisting exclusively of obligations described in (4) above and repurchase agreements secured by such obligations;
6. Bonds and obligations of the State of Ohio or Ohio local governments
7. The State Treasurer's investment pool (STAR Ohio, a Rule 2-a7-like pool);
8. Certain bankers' acceptances and commercial paper notes;
9. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

An investment must mature within five years from the purchase date unless matched to a specific obligation or debt of the School District and must be purchased with the expectation it will be held to maturity. Investments may only be made through specified dealers and institutions.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4- Deposits and Investments (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was (\$175,377) and the bank balance was \$48,065. Funds swept into an overnight repurchase agreement as disclosed below will be used to provide funds for outstanding checks. The entire bank balance was covered by federal deposit insurance.

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

	<u>Category</u> <u>3</u>	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Repurchase Agreement	\$1,167,042	\$1,167,042	\$ 1,167,042
Investment in STAR Ohio	-	<u>2,127,587</u>	<u>2,127,587</u>
Total Investments	<u>\$1,167,042</u>	<u>\$3,294,629</u>	<u>\$3,294,629</u>

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

	<u>Cash & Cash Equivalents</u> <u>And Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$3,322,649	\$ -
Investments of the cash Management pool:		
Investment in STAR Ohio	(2,127,587)	2,127,587
Repurchase agreement	<u>(1,167,042)</u>	<u>1,167,042</u>
GASB Statement No. 3	<u>\$ 28,020</u>	<u>\$3,294,629</u>

Note 5 - Interfund Balances

No unpaid inter-fund cash advances existed at June 30, 2004.

Note 6- Interfund Transfers

No Interfund cash transfers existed for the year ended June 30, 2004

Note 7 - Risk Management

A. Commercial Insurance

The District has obtained commercial insurance for the following risks:

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 7 - Risk Management (Continued)

Risk Pool Membership

The District is a member of the Southwestern Ohio Educational Purchasing Council (EPC) group Insurance purchasing program. The Program currently includes 28 Ohio Public School Districts in Southwestern Ohio. The secured self-insurance package developed by Marsh allows the EPC council to retain a portion of predictable losses, transfer a portion of catastrophic risk, and broaden our insurance program coverages. The Pool assumes the risk of loss up to the limits of the carrier. The loss fund is at \$600,000 and represents the anticipated operating loss fund. The cooperative decides what dollar amount to fund to the loss fund. With this program there is an aggregate (Stop Loss) Insurance policy. Should the loss fund be exhausted by the EPC council, the aggregate excess coverage applies to the fund the retention on behalf of the EPC council. No supplemental assessments can occur under this program. In turn the District has no claim to any loss fund or other program assets. The Pool covers the following risks:

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

B. Workers' Compensation

For fiscal year 2004 the School District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Comp Management Incorporated. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school Districts is calculated as one experience and a common premium rate is applied to all school Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. The 2004 Estimated savings to the District was \$47,113. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school Districts that can meet the GRP's selection criteria. The firm of Comp Management Incorporated provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

Note 8 - Benefit Pension Plans

A. School Employees Retirement System

The School 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.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Benefit Pension Plans (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School 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 School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations, including the surcharge amount, to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$205,318, \$182,244 and \$173,157, respectively; 91.6 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School 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.

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, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 8 - Benefit Pension Plans (Continued)

The School District's required contributions for pension obligations to the STRS plans for the fiscal years ended June 30, 2004, 2003, and 2002, were \$669,625, and \$579,165, and 528,884 respectively; 92.5 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

Note 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.

Note 10- Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Note 11 – Long – Term Obligations

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

Governmental Activities

	Amount Outstanding at 6/30/2003	Additions	Deductions	Amount Outstanding at 6/30/2004
<u>Current Interest</u>				
1996 Bonds	\$2,685,000	\$0	\$ (265,000)	\$2,420,000
2003 Bonds	\$4,230,000	\$0	\$(30,000)	\$4,200,000
Subtotal:	\$6,915,000	\$0	\$ (295,000)	\$6,620,000
<u>Capital Appreciation Bonds -2003</u>				
Issuance Value	\$ 24,983	\$0	\$0	\$ 24,983
Premium	\$ 830,656	\$0	\$0	\$ 830,656
Total G.O. Bonds	\$7,770,639	\$0	\$ (295,000)	\$7,475,639

The 2003 bond issue is comprised of both general obligation current interest bonds with a face value of \$4,200,000, and capital appreciation bonds with a face value including future accretion of \$2,190,000. The interest rates on the current interest bonds range from 1.500% to 3.850%. All bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB'S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

All current obligation bonds outstanding issued to provide funds for the acquisition and construction of equipment and facilities are general obligations of the District for which the full faith and credit of the district is pledged for repayment. Accordingly, payments of principal and interest relating to the liabilities are recorded as expenditures in the debt service

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 11 – Long – Term Obligations (Continued)

fund. The source of payment is derived from the current 4.5 Mill bonded debt tax levy. The original millage passed for collection was 5.95 mills. However due to property growth and the refinancing of select bonds the effective tax millage is at the 4.5 mill level. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund \$4,255,000 of the 1996 general obligation bonds. The securities and proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of funds available in the trust at June 30, 2004 was \$4,785,896. The refunded bonds are not included in the District's outstanding debt since the district has satisfied its' obligations through the advance refunding.

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

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accretion	Total
2005	\$ 415,000	\$ 282,059	\$ 697,059	\$ -	\$ -	\$ -
2006	450,000	261,684	711,684	-	-	-
2007	140,000	248,681	388,681	-	-	-
2008	165,000	243,295	408,295	-	-	-
2009	180,000	236,494	416,494	-	-	-
2010	195,000	228,475	423,475	-	-	-
2011-2015	1,420,000	956,957	2,376,957	-	-	-
2016-2020	2,400,000	485,819	2,885,819	-	-	-
<u>2021-2024</u>	<u>1,255,000</u>	<u>48,881</u>	<u>1,303,881</u>	<u>24,983</u>	<u>2,165,017</u>	<u>2,190,000</u>
TOTAL:	\$6,620,000	\$2,992,345	\$9,612,345	\$24,983	\$2,165,017	\$2,190,000

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effect of these debt limitations at June 30, 2004, is a total a debt margin of \$9,305,941 (including available funds of \$421,640).

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Set-Aside Calculations

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

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

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2003	(\$384,782)	-	\$245,233
Current Year Set-aside Replacement	194,384	194,384	-
Current Year Offsets	-	(312,779)	-
Qualifying Disbursements	(310,383)	-	-
Totals as of June 30, 2004	<u>(500,781)</u>	<u>(118,395)</u>	<u>245,233</u>

The School District had offsets for capital acquisition during the year that reduced the set-aside amount below zero. This extra amount 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. The School District had qualifying disbursements for textbooks during the year that reduced the set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years.

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

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

Note 13 – State School Funding Decision

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional.

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

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 22, 2005, which noted the District prepares its annual financial report on a basis of accounting other than accounting principles generally accepted in the United State of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 22, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 22, 2005.

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

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

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

Betty Montgomery
Auditor of State

March 22, 2005

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2004

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

FINDING NUMBER 2004-001

Finding for Recovery

During November 2004, due to a ministerial error, the District inadvertently overpaid Roschel Bowman \$1,871.73 for a supplemental coaching contract. The District notified Ms. Bowman in December 2004, of the error and requested that the overpayment be repaid. Ms. Bowman has acknowledged the error, but has failed to reimburse the District or to set up a payment schedule. The District has made several attempts to collect the funds, but has been unsuccessful.

In accordance with the foregoing fact, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Roschel Bowman, in the amount of one thousand eight hundred seventy one dollars and seventy three cents (\$1,871.73) and in favor of the District's General Fund.

FINDING NUMBER 2004-002

NonCompliance Citation

Ohio Administrative Code 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The financial statements and notes 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.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WAYNE LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 5, 2005**