



**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Local School District, Warren County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002, 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 18, 2002

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WAYNE LOCAL SCHOOL DISTRICT
 WARREN COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents	\$823,851	\$269,396	\$170,487	\$229,698	\$44,976	\$42,238	\$0	\$0	\$1,580,646
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent	3,562,465	0	627,689	193,347	0	0	0	0	4,383,501
Accounts	6,196	415	0	0	349	0	0	0	6,960
Accrued interest	1,895	0	0	0	0	0	0	0	1,895
Due from other governments	0	0	0	0	0	0	0	0	0
Prepayments	7,743	0	0	0	453	0	0	0	8,196
Materials and supplies inventory	0	0	0	0	4,177	0	0	0	4,177
Restricted assets:									
Equity in pooled cash and cash equivalents.	71,251	0	0	0	0	0	0	0	71,251
Property, plant and equipment (net of accumulated depreciation where applicable).	0	0	0	0	58,813	0	\$17,223,598	0	17,282,411
OTHER DEBITS:									
Amount available in Debt Service Fund	0	0	0	0	0	0	0	\$239,578	239,578
Amount to be provided for retirement of General Long-Term Obligations.	0	0	0	0	0	0	0	7,540,260	7,540,260
Total assets and other debits	\$4,473,401	\$269,811	\$798,176	\$423,045	\$108,768	\$42,238	\$17,223,598	\$7,779,838	\$31,118,875

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$21,583	\$33,712	0	\$15,952	\$692	0	0	0	\$71,939
Accrued wages and benefits.	589,498	9,484	0	0	14,323	0	0	0	613,305
Compensated absences payable.	11,270	0	0	0	7,046	0	0	\$337,739	356,055
Pension obligation payable	112,230	1,392	0	0	17,563	0	0	57,099	188,284
Deferred revenue	3,200,457	0	\$558,598	177,482	2,029	0	0	0	3,938,566
Due to students	0	0	0	0	0	\$26,467	0	0	26,467
General obligation bonds payable.	0	0	0	0	0	0	0	7,385,000	7,385,000
Total liabilities	3,935,038	44,588	558,598	193,434	41,653	26,467	0	7,779,838	12,579,616
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets	0	0	0	0	0	0	\$17,223,598	0	17,223,598
Contributed capital	0	0	0	0	52,363	0	0	0	52,363
Retained earnings	0	0	0	0	14,752	0	0	0	14,752
Fund balances:									
Reserved for encumbrances	50,075	107,554	0	93,615	0	0	0	0	251,244
Reserved for prepayments	7,743	0	0	0	0	0	0	0	7,743
Reserved for debt service	0	0	170,487	0	0	0	0	0	170,487
Reserved for tax revenue unavailable for appropriation	362,008	0	69,091	15,865	0	0	0	0	446,964
Reserved for budget stabilization	71,251	0	0	0	0	0	0	0	71,251
Designated for budget stabilization.	173,982	0	0	0	0	0	0	0	173,982
Unreserved-undesignated	(126,696)	117,669	0	120,131	0	15,771	0	0	126,875
Total equity and other credits.	538,363	225,223	239,578	229,611	67,115	15,771	17,223,598	0	18,539,259
Total liabilities, equity and other credits	\$4,473,401	\$269,811	\$798,176	\$423,045	\$108,768	\$42,238	\$17,223,598	\$7,779,838	\$31,118,875

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$3,339,252	0	\$604,571	\$154,435	0	\$4,098,258
Tuition	0	\$1,400	0	0	0	1,400
Earnings on investments	81,300	1,773	0	13,044	0	96,117
Other local revenues	93,988	200,653	0	15,850	\$10,602	321,093
Other revenue	6,244	0	0	0	0	6,244
Intergovernmental - State	4,102,764	144,118	74,404	118,384	0	4,439,670
Intergovernmental - Federal	0	169,614	0	0	0	169,614
Total revenue	7,623,548	517,558	678,975	301,713	10,602	9,132,396
Expenditures:						
Current:						
Instruction:						
Regular	3,672,307	191,585	0	0	574	3,864,466
Special	499,870	54,374	0	0	0	554,244
Vocational	50,808	0	0	0	0	50,808
Other	12,647	9,831	0	105,946	0	128,424
Support services:						
Pupil	368,545	52,139	0	0	0	420,684
Instructional staff	331,019	12,726	0	0	0	343,745
Board of Education	37,911	0	0	0	0	37,911
Administration	595,846	8,503	0	298	0	604,647
Fiscal	238,860	1,858	9,712	2,235	0	252,665
Business	83,337	0	0	0	0	83,337
Operations and maintenance	603,834	5,316	0	31,063	0	640,213
Pupil transportation	416,466	0	0	0	0	416,466
Central	48,000	1,477	0	0	0	49,477
Community services	0	11,664	0	0	0	11,664
Extracurricular activities	139,730	153,291	0	0	11,498	304,519
Capital Outlay	0	0	0	421,351	0	421,351
Debt service:						
Principal retirement	0	0	165,000	0	0	165,000
Interest and fiscal charges	0	0	452,510	0	0	452,510
Total expenditures	7,099,180	502,764	627,222	560,893	12,072	8,802,131
Excess (deficiency) of revenues over (under) expenditures	524,368	14,794	51,753	(259,180)	(1,470)	330,265
Fund balance, July 1 (Restated)	13,995	210,429	187,825	488,791	17,241	918,281
Fund balance, June 30	<u>\$538,363</u>	<u>\$225,223</u>	<u>\$239,578</u>	<u>\$229,611</u>	<u>\$15,771</u>	<u>\$1,248,546</u>

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$3,194,170	\$3,294,214	\$100,044	0	0	0	\$559,721	\$597,741	\$38,020	\$145,674	\$154,134	\$8,460	\$3,899,565	\$4,046,089	\$146,524
Tuition.....	0	0	0	\$1,000	\$1,400	\$400	0	0	0	0	0	0	1,000	1,400	400
Earnings on investments.....	62,920	79,512	16,592	1,695	1,773	78	0	0	0	14,979	13,044	(1,935)	79,594	94,329	14,735
Other local revenues.....	75,733	64,689	(11,044)	178,657	200,237	21,580	0	0	0	5,000	15,850	10,850	259,390	280,776	21,386
Other revenue.....	103	48	(55)	0	0	0	0	0	0	0	0	0	103	48	(55)
Intergovernmental - State.....	4,085,753	4,110,014	24,261	173,619	174,120	501	69,307	74,404	5,097	118,573	118,384	(189)	4,447,252	4,476,922	29,670
Intergovernmental - Federal.....	0	0	0	170,458	171,538	1,080	0	0	0	0	0	0	170,458	171,538	1,080
Total revenues.....	7,418,679	7,548,477	129,798	525,429	549,068	23,639	629,028	672,145	43,117	284,226	301,412	17,186	8,857,362	9,071,102	213,740
Expenditures:															
Current:															
Instruction:															
Regular.....	3,944,051	3,703,743	240,308	229,526	199,818	29,708	0	0	0	0	0	0	4,173,577	3,903,561	270,016
Special.....	372,428	486,649	(114,221)	65,121	61,524	3,597	0	0	0	0	0	0	437,549	548,173	(110,624)
Vocational.....	52,991	50,366	2,625	0	0	0	0	0	0	0	0	0	52,991	50,366	2,625
Other.....	79,367	55,761	23,606	13,781	9,831	3,950	0	0	0	82,111	106,173	(24,062)	175,259	171,765	3,494
Support services:															
Pupil.....	420,729	383,640	37,089	43,058	44,436	(1,378)	0	0	0	0	0	0	463,787	428,076	35,711
Instructional staff.....	394,035	324,955	69,080	17,048	13,447	3,601	0	0	0	0	0	0	411,083	338,402	72,681
Board of Education.....	21,793	38,121	(16,328)	0	0	0	0	0	0	0	0	0	21,793	38,121	(16,328)
Administration.....	591,787	599,835	(8,048)	9,335	8,482	853	0	0	0	238	297	(59)	601,360	608,614	(7,254)
Fiscal.....	262,036	243,283	18,753	1,850	1,850	0	9,715	9,712	3	2,305	2,235	70	275,906	257,080	18,826
Business.....	76,433	85,539	(9,106)	0	0	0	0	0	0	0	0	0	76,433	85,539	(9,106)
Operations and maintenance.....	464,582	609,594	(145,012)	5,321	5,321	0	0	0	0	65,280	49,216	16,064	535,183	664,131	(128,948)
Pupil transportation.....	450,041	420,843	29,198	0	0	0	0	0	0	0	0	0	450,041	420,843	29,198
Central.....	38,853	48,132	(9,279)	6,765	2,555	4,210	0	0	0	0	0	0	45,618	50,687	(5,069)
Community services.....	3,000	0	3,000	3,445	11,855	(8,410)	0	0	0	0	0	0	6,445	11,855	(5,410)
Extracurricular activities.....	126,512	139,748	(13,236)	157,944	156,211	1,733	0	0	0	0	0	0	284,456	295,959	(11,503)
Facilities services.....	0	0	0	109,000	100,000	9,000	0	0	0	555,790	500,381	55,409	664,790	600,381	64,409
Debt service:															
Principal retirement.....	0	0	0	0	0	0	165,000	165,000	0	0	0	0	165,000	165,000	0
Interest and fiscal charges.....	0	0	0	0	0	0	452,510	452,510	0	0	0	0	452,510	452,510	0
Total expenditures.....	7,298,638	7,190,209	108,429	662,194	615,330	46,864	627,225	627,222	3	705,724	658,302	47,422	9,293,781	9,091,063	202,718
Excess (deficiency) of revenues over (under) expenditures.....	120,041	358,268	238,227	(136,765)	(66,262)	70,503	1,803	44,923	43,120	(421,498)	(356,890)	64,608	(436,419)	(19,961)	416,458
Other financing sources (uses):															
Refund of prior year's expenditures.....	0	13,773	13,773	0	0	0	0	0	0	0	0	0	0	13,773	13,773
Operating transfers in.....	0	0	0	0	0	0	38,723	38,723	0	0	0	0	38,723	38,723	0
Operating transfers (out).....	(90,000)	0	90,000	0	0	0	(38,723)	(38,723)	0	0	0	0	(128,723)	(38,723)	90,000
Advances (out).....	(5,000)	0	5,000	0	0	0	0	0	0	0	0	0	(5,000)	0	5,000
Pass through payments.....	(75,000)	0	75,000	0	0	0	0	0	0	0	0	0	(75,000)	0	75,000
Total other financing sources (uses).....	(170,000)	13,773	183,773	0	0	0	0	0	0	0	0	0	(170,000)	13,773	183,773
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(49,959)	372,041	422,000	(136,765)	(66,262)	70,503	1,803	44,923	43,120	(421,498)	(356,890)	64,608	(606,419)	(6,188)	600,231
Fund balances, July 1 (Restated).....	399,568	399,568	0	153,801	153,801	0	125,564	125,564	0	394,842	394,842	0	1,073,775	1,073,775	0
Prior year encumbrances appropriated (Restated).....	27,872	27,872	0	41,349	41,349	0	0	0	0	82,179	82,179	0	151,400	151,400	0
Fund balances, June 30.....	\$377,481	\$799,481	\$422,000	\$58,385	\$128,888	\$70,503	\$127,367	\$170,487	\$43,120	\$55,523	\$120,131	\$64,608	\$618,756	\$1,218,987	\$600,231

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

WAYNE LOCAL SCHOOL DISTRICT
 WARREN COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/(ACCUMULATED DEFICIT)
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees.	\$81,430
Sales/charges for services.	279,325
Other operating revenue.	349
Total operating revenues.	361,104
Operating expenses:	
Personal services	210,887
Contract services	1,761
Materials and supplies.	192,087
Depreciation.	7,016
Total operating expenses	411,751
Operating loss	(50,647)
Nonoperating revenues:	
Operating grants	38,278
Federal commodities	29,771
Interest revenue.	705
Total nonoperating revenues	68,754
Net income	18,107
Accumulated deficit July 1	(3,355)
Retained earnings June 30	\$14,752

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

WAYNE LOCAL SCHOOL DISTRICT
 WARREN COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$81,430
Cash received from sales/service charges	279,325
Cash payments for personal services.	(216,345)
Cash payments for contract services	(2,214)
Cash payments for supplies and materials	(162,554)
Net cash used in operating activities.	(20,358)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	38,278
Net cash provided by noncapital financing activities.	38,278
financing activities.	0
Cash flows from investing activities:	
Interest received	705
Net cash provided by investing activities.	705
Net increase in cash and cash equivalents.	18,625
Cash and cash equivalents at beginning of year. . .	26,351
Cash and cash equivalents at end of year	\$44,976
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$50,647)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,016
Federal donated commodities	29,771
Changes in assets and liabilities:	
Increase in accounts receivable	(349)
Increase in supplies inventory	(752)
Increase in prepayments	(6)
Increase in accounts payable	548
Increase in accrued wages & benefits	955
Increase in compensated absences payable	485
Decrease in pension obligation payable	(6,898)
Decrease in deferred revenue	(481)
Net cash used in operating activities	(\$20,358)

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 411th largest by enrollment among the 682 public and community school districts in the State. It currently operates 1 elementary school, 1 middle school and 1 comprehensive high school. The District employs 46 non-certified, 85 certified (including administrative) full-time and part-time employees to provide services to approximately 1,351 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wayne Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Jointly Governed Organizations:

Dayton Area Superintendent's Association

The Dayton Area Superintendent's Association (DASA) is an organization formed by the area school Superintendents. The purpose of the organization is to serve as a forum for practicing Superintendents to present problems, seek solutions, reach consensus and take appropriate action to resolve issues. The organization also shares information among its members and provides, on a contractual basis, inservice education for the school management team. Membership in the organization is open to the Greater Dayton area school system Superintendents, directors, and professional staff members of institutions of higher education, and/or Region IX of the Buckeye Association of School Administrators. Region IX presently includes Champaign, Clark, Darke, Greene, Montgomery, Preble, Shelby, and Warren Counties. The Executive committee is comprised of eight representatives of the DASA members school or institution. The members of the Executive Committee are elected annually in each county. The County Superintendent of each county is responsible for the nomination and election of their representative.

All member schools are obligated to pay all dues and fees as established by the Executive Committee. During fiscal year 2001, the District paid \$315 to DASA from the General fund. 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
WARREN COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 EPC acts as its own fiscal agent and is a Regional Council of Governments. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. During fiscal 2001, payments to SOEPC of \$5,862 were made from the General fund. To obtain information, write to the SOEPC, Robert Brown, who serves as the director, at 1831 Harshman Road, Dayton, Ohio 45424.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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. Payments to SOITA are made from the General fund. During fiscal year 2001, the District paid \$12,409 to SOITA. To obtain information, write to the Southwestern Ohio Instructional Technology Association, Director, 150 East Sixth Street, Franklin, Ohio 45005.

Southwestern Ohio Computer Association (SWOCA)

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

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
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

Related Organization:

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

The District is also part of a public entity risk pool for workers' compensation insurance, described in Note 9.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

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

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

PROPRIETARY FUNDS

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

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, but which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as advances on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The Proprietary funds receive no revenue from property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2001 is as follows:

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

2. By no later than January 20, the Board-adopted budget is filed with the Warren County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2001, in the following amounts:

	<u>Increase</u>
General Fund	\$ 8,770
Special Revenue Funds	185,589
Capital Projects Funds	33,119
Enterprise Funds	15,507
Expendable Trust	<u>230</u>
Total	<u>\$243,215</u>

9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis (Exhibit 1) and as the equivalent of expenditures on a non-GAAP budgetary basis (Exhibit 3) in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 10 to the financial statements.

E. Cash and Cash Equivalents

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

During fiscal 2001, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and a money market mutual fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as money market mutual funds are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

By policy of the Board of Education, investment earnings are assigned to the General fund, Education Foundation fund, District Managed Student Activity, Building fund and Food Service fund. The following funds were credited more interest than would have been received based upon their share of the District's investments during fiscal 2001:

	<u>Interest Actually Received</u>	<u>Interest Based Upon Share of Investments</u>	<u>Interest Assigned From Other Funds</u>
General Fund	\$81,300	\$42,019	\$39,281

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

F. Inventory

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

G. Prepays

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5-20

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

I. Compensated Absences

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

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

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

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

J. Long-Term Obligations

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

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepaid assets, debt service, budget stabilization, and tax revenue unavailable for appropriation. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

L. Statutory Reserves

The District is required by State law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of July 1, 2000	\$ (68,267)	\$ 0	\$248,995
Correction to reserve	0	0	(3,762)
Current year set-aside requirement	173,784	173,784	0
Current year offsets	0	(172,111)	0
Qualifying disbursements	<u>(211,379)</u>	<u>(57,436)</u>	<u>0</u>
Total	<u>(105,862)</u>	<u>(55,763)</u>	<u>245,233</u>
Amount reserved by statutory requirement	0	0	71,251
Additional designation by district	<u>0</u>	<u>0</u>	<u>173,982</u>
Cash balance carried forward to FY 2002	<u><u>\$(105,862)</u></u>	<u><u>\$(55,763)</u></u>	<u><u>\$245,233</u></u>

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

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

Although the District had offsets and qualifying disbursements during the year that reduced the capital improvements set-aside amount below zero, this extra amount may be used to reduce the set-aside requirements of future years. This negative amount is therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001 follows:

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

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

The District had no interfund transactions for fiscal year 2001.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

N. Contributed Capital

Contributed capital reported in the Enterprise funds represents resources provided from other funds, other governments, or private sources that is not subject to repayment. These assets are recorded at fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. Contributed capital did not change during fiscal year 2001.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented (Exhibit 5) a statement of cash flows for its Proprietary funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. A fund balance reserve has also been established. See Note 2.L. for statutory reserves.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

R. Estimates

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

S. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

- i. The District has presented a restatement of fund equity at July 1, 2000, due to the reclassification of the Summer Intervention fund. This fund, previously reported as part of the General fund, has been reclassified as a Special Revenue fund. The effect of this restatement on fund balances as previously reported at June 30, 2000 is as follows:

<u>Fund Type</u>	<u>Fund Equity Originally Presented 6/30/00</u>	<u>Effect of Adjustment</u>	<u>Restated Fund Equity 7/1/00</u>	<u>Budgetary Fund Balances Originally Presented 6/30/00</u>	<u>Effect of Adjustment</u>	<u>Restated Budgetary Fund Balances 7/1/00</u>
General	\$ 30,231	\$(16,236)	\$ 13,995	\$413,818	\$(14,250)	\$399,568
Special Revenue	194,193	16,236	210,429	139,551	14,250	153,801

- ii. At July 1, 2000, the District has presented a restatement of fixed assets, as the result of a fixed asset appraisal. The effect of this adjustment to the General Fixed Assets Account Group.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

	<u>Previously Reported June 30, 2000</u>	<u>Adjustment</u>	<u>Restated Amounts July 1, 2000</u>
General Fixed Assets Account Group	\$15,564,618	\$1,380,244	\$16,944,862

B. Change in Accounting Principle

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, was implemented during fiscal 2001. In accordance with this statement, certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions may have been reported in a manner inconsistent with prior fiscal years; however, the adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

C. The District did not certify the availability of funds for certain commitments.

NOTE 4 - EQUITY IN POOLED CASH 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 treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(104,564) and the bank balance was \$(10,408). Both amounts are exclusive of payroll clearance accounts. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Of the bank balance, \$3,471 was covered by federal deposit insurance.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

	Fair Value
Money Market	\$1,435,874
Not Subject to Categorization:	
Investment in State	
Treasurer's Investment Pool	320,587
Total Investments	\$1,756,461

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

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,651,897	0
Investments of the Cash		
Management Pool:		
Money Market	(1,435,874)	\$1,435,874
State Treasurer's Investment Pool	(320,587)	320,587
GASB Statement No. 3	\$ (104,564)	\$1,756,461

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market and railroads, which are assessed at 29%.

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

The assessed values upon which the fiscal year 2001 taxes were collected were as follows:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$110,579,780	89.68	\$134,042,320	91.43
Public Utility Personal	9,564,280	7.75	9,391,890	6.41
Tangible Personal Property	3,163,790	2.57	3,168,200	2.16
	\$123,307,850	100.00	\$146,602,410	100.00

Tax rate per \$1,000 of
assessed valuation:

Operations	\$47.70	\$46.55
Debt Service	5.20	4.80
Permanent Improvements	2.00	2.00

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 5 - PROPERTY TAXES - (Continued)

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2001 totaled \$362,008 in the General fund, \$69,091 in the Debt Service fund and \$15,865 in the Permanent Improvements fund.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of receivables follows:

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - RECEIVABLES - (Continued)

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$3,562,465
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	627,689
 <u>Capital Projects Fund</u>	
Taxes - Current and Delinquent	193,347

NOTE 7 - FIXED ASSETS

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	<u>Restated Balance July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2001</u>
Land/Improvements	\$ 1,073,693	0	0	\$ 1,073,693
Buildings	11,089,227	\$1,133,455	\$ (22,188)	12,200,494
Furniture/Equipment	3,388,065	374,190	(255,463)	3,506,792
Vehicles	430,619	12,000	0	442,619
Construction in progress	963,258	170,197	(1,133,455)	0
 Total	 \$16,944,862	 \$1,689,842	 \$(1,411,106)	 \$17,223,598

A summary of the Proprietary Fund fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$154,871
Less Accumulated Depreciation	(96,058)
Net Fixed Assets	\$ 58,813

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - LONG-TERM DEBT

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, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current 4.80 mill bonded debt tax levy.

A. The following is a description of the District's bonds outstanding as of June 30, 2001:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 7/01/00</u>	<u>Retired in Fiscal 2001</u>	<u>Bonds Outstanding 06/30/01</u>
Construction	5.946%	5/22/96	12/01/24	<u>\$7,550,000</u>	<u>\$(165,000)</u>	<u>\$7,385,000</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on General Obligation Improvement Bonds</u>	<u>Interest on General Obligation Improvement Bonds</u>	<u>Total</u>
2002	\$ 210,000	\$ 443,592	\$ 653,592
2003	235,000	432,149	667,149
2004	265,000	418,524	683,524
2005	315,000	402,640	717,640
2006	350,000	384,265	734,265
2007 - 2011	405,000	1,820,355	2,225,355
2012 - 2016	1,035,000	1,592,521	2,627,521
2017 - 2021	2,005,000	1,116,631	3,121,631
2022 - 2025	<u>2,565,000</u>	<u>331,995</u>	<u>2,896,995</u>
Total	<u>\$7,385,000</u>	<u>\$6,942,672</u>	<u>\$14,327,672</u>

C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation payable will ultimately be paid from the fund from which the employee is paid.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - LONG-TERM DEBT - (Continued)

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2001</u>
Compensated Absences	\$ 363,089	\$ 91,905	\$(117,255)	\$ 337,739
General Obligation Bonds	7,550,000		(165,000)	7,385,000
Pension Obligation	<u>54,334</u>	<u>57,099</u>	<u>(54,334)</u>	<u>57,099</u>
Total	<u>\$7,967,423</u>	<u>\$149,004</u>	<u>\$(336,589)</u>	<u>\$7,779,838</u>

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2001, are a voted debt margin of \$6,048,795 (including available funds of \$239,578) and an unvoted debt margin of \$146,602.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance Company for fleet and general liability insurance, and with Indiana Insurance for property and Inland Marine coverage.

Building and Contents - replacement cost (\$500 deductible)	\$27,890,639
Inland Marine Coverage (\$500 deductible)	Included above
Boiler & Machinery (\$500 deductible)	Included above
Automobile Liability	\$500,000 Each Accident
Uninsured Motorists	\$500,000
General Liability	
Per Occurrence	\$2,000,000
Total per Year	\$5,000,000

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - RISK MANAGEMENT - (Continued)

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2000.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Coresource. Medical/surgical benefits are provided by United Healthcare of Ohio and EPC Benefit Plan Trust. Dental benefits are provided through EPC Dental Plan Trust.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

SOEPC WORKER'S COMPENSATION GROUP RATING

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. For fiscal year 2001, the school participated in the Southwestern Ohio Educational Purchasing Council group rating plan. The intent of the plan is to achieve the benefit of a reduced premium for the School District by its grouping with other participants.

Each participant pays its workers compensation premium to the State based on the group rate. Total savings are calculated and each participants individual performance is compared to the overall savings percentage of the group. A participant will than either receive money from or be required to contribute to the fund. The firm of Integrated Comp. Management handles the administrative, cost control, and actuarial services to the EPC.

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 10 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of food service and the latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001:

	<u>Food Service</u>	<u>Latchkey Program</u>	<u>Total Enterprise Funds</u>
Operating Revenue	\$276,815	\$84,289	\$361,104
Depreciation Expense	7,016	0	7,016
Operating Income (Loss)	(50,766)	119	(50,647)
Non-operating Revenue:			
Operating grants	38,278	0	38,278
Donated federal commodities	29,771	0	29,771
Net Income	17,988	119	18,107
Net Working Capital	301	11,493	11,794
Total Assets	92,756	16,012	108,768
Long-Term Liabilities			
Payable From Fund Revenues	2,997	495	3,492
Contributed Capital	52,363	0	52,363
Total Fund Equity	56,117	10,998	67,115
Encumbrances outstanding as of 6/30/01	796	781	1,577

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11- DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$154,955, \$183,170, and \$139,594, respectively; 47% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$88,068, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$336,698, \$620,975, and \$492,074, respectively; 74% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$87,480, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2001, members of the Board of Education have elected the School Employees Retirement System.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$108,224 during the 2001 fiscal year.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283.137 million and there were 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, equaled \$110,572 during the 2001 fiscal year. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million and there were approximately 50,000 participants receiving health care benefits.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$372,041	\$(66,262)	\$44,923	\$(356,890)
Net Adjustment for Revenue Accruals	59,472	(31,510)	6,830	301
Net Adjustment for Expenditure Accruals	29,283	(27,944)	0	(12,158)
Net Adjustment for Other Financing Sources/(Uses)	(13,773)	0	0	0
Net Adjustment for Fund Reclassification	12,184	0	0	0
Adjustment for Encumbrances	<u>65,161</u>	<u>140,510</u>	<u>0</u>	<u>109,567</u>
GAAP Basis	<u>\$524,368</u>	<u>\$ 14,794</u>	<u>\$51,753</u>	<u>\$(259,180)</u>

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

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

The District was not involved in litigation as either plaintiff or defendant at period-end.

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 14 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 15 - CONTRACTUAL COMMITMENTS

At June 30, 2001, the District had the following outstanding contractual commitments:

<u>Vendor</u>	<u>Balance Remaining</u>
Franklin Cabinets	\$116,739
Performance Site Management	26,950

NOTE 16 - SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001, see Note 14.C. for details.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of the Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated January 18, 2002. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10483-001.

We also noted other immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 18, 2002.

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

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

Jim Petro
Auditor of State

January 18, 2002

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2001

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

FINDING NUMBER 2001-10483-001

Material Noncompliance

Ohio Rev. Code, Section 5705.41(D), prohibits a subdivision or taxing unit from making any contract or giving any order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides two exceptions to the above requirement:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of Board, if such expenditure is otherwise valid.

15% of the District's expenditures tested were not properly certified or encumbered prior to incurring the obligation. Neither of the two exceptions were used for these transactions. Every effort should be made by the District to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2000-10483-001	Availability of funds was not certified.	NO	Partially corrected; reissued comment as finding 2001-10483-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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
FEBRUARY 14, 2002**