

Wayne Local School District  
Warren County, Ohio

Regular Audit

July 1, 2006, through June 31, 2007  
Fiscal Years Audited Under GAGAS: 2007



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Wayne Local School District, Warren County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 12, 2009

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**WAYNE LOCAL SCHOOL DISTRICT**  
*Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

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

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

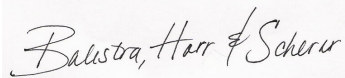
Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison of the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. Which we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Education  
Wayne Local School District  
Independent Auditor's Report  
Page 2

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
November 14, 2008



**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2007**

As Management of Wayne Local Schools, we offer readers of Wayne Local Schools' financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the district's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the districts financial results.

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

- Net cash assets of governmental activities increased by \$277,326.
- At the close of the 2007 fiscal year Wayne Local Schools' governmental funds reported a combined unencumbered ending cash fund balance of \$4,055,350. Of this amount \$2,429,934 is available for spending to support operations at Management's discretion.

**Overview of the Financial Statements**

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

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

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

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

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

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

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

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

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

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

The cash basis governmental fund financial statement can be found on pages 14 through 16 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 19 to 34 of this report.

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

**Government-Wide Financial Analysis**

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

Wayne Local Schools Net Assets - Cash Basis  
GOVERNMENTAL ACTIVITIES

	2006*	2007
Cash	\$ 4,068,177	\$ 4,345,503
Total Assets	\$ 4,068,177	\$ 4,345,503
Restricted for		
Debt service	\$ 424,773	\$ 521,031
Capital	335,398	739,964
Budget Stabilization	245,233	245,233
Severance Payments	181,359	144,412
Other Purposes	167,272	237,261
Unrestricted	2,714,142	2,457,602
Total Net Assets	\$ 4,068,177	\$ 4,345,503

\* As restated – see Note 14 of the Notes to the Basic Financial Statements for additional information about the restatement.

**Financial Analysis of the Government Funds**

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

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

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

As of the end of the current fiscal year Wayne Local's governmental funds reported a combined ending fund (cash basis) balances of \$4,345,503 an increase of 6.8% in comparison to the previous year. Of this amount \$2,429,934 constitutes an unreserved fund balance, which is available for spending at the District's discretion for necessary school expenses. This represents a \$284,208 decrease from the prior year. The remainder of the fund balance is reserved to indicate the amounts are not available for new spending because the cash has already been committed.

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

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

(Table 2)  
Change in Net Assets  
Governmental Activities

	2007	2006
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,072,252	\$ 1,063,039
Operating Grants & Contributions	<u>530,477</u>	<u>437,568</u>
Total Program Cash Receipts	<u>1,602,729</u>	<u>1,500,607</u>
General Cash Receipts		
Property Taxes	5,918,781	5,900,182
Grants and Entitlements not Restricted to Specific Programs	5,035,737	4,986,257
Investment Earnings	238,276	155,393
Miscellaneous	<u>67,119</u>	<u>55,431</u>
Total General Cash Receipts	<u>11,259,913</u>	<u>11,097,263</u>
Total Cash Receipts	<u>\$ 12,862,642</u>	<u>\$ 12,597,870</u>

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

(Table 2)

Change in Net Assets  
Continued

	<u>2007</u>	<u>2006</u>
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	\$ 5,802,413	\$ 5,406,418
Special	809,210	977,561
Vocational	14,875	11,838
Other	130,141	219,180
Support Services:		
Pupils	763,264	718,853
Instructional Staff	568,038	545,768
Board of Education	37,617	25,431
Administration	841,669	829,702
Fiscal	281,800	310,167
Business	129,249	125,077
Operation and Maintenance of Plant	825,993	796,759
Pupil Transportation	634,626	591,593
Central	41,685	49,504
Operation of Food Services	380,720	357,332
Extracurricular Activities	487,141	457,644
Capital Outlay	411,450	549,684
Operation of Non-Instructional Services	36,744	6,489
Debt Service:		
Principal	140,000	450,000
Interest and Fiscal Charges	248,681	261,684
Total Cash Disbursements	<u>12,585,316</u>	<u>12,690,684</u>
Change in Net Assets	<u>277,326</u>	<u>(92,814)</u>
Net Assets, Beginning of the Year*	<u>4,068,177</u>	<u>4,160,991</u>
Net Assets, End of the Year	<u>\$ 4,345,503</u>	<u>\$ 4,068,177</u>

\* As restated

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

**Governmental Activities**

Grants and entitlements not restricted to specific programs made up 39.2 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2007. Property tax receipts made up 46 percent of the total cash receipts for governmental activities for a total of 85.2 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 46.1 percent of governmental program cash disbursements. Support services expenses make up 32.8 percent of governmental cash disbursements.

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

(Table 3)  
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$ 6,756,639	\$ 6,036,662	\$ 6,614,997	\$ 5,886,075
Support Services	4,103,426	4,103,426	3,992,854	3,992,854
Operation of Non-Instructional Services	437,979	64,697	363,821	37,123
Extracurricular Activities	487,141	(22,329)	457,644	12,657
Capital Outlay	411,450	411,450	549,684	549,684
Principal	140,000	140,000	450,000	450,000
Interest and Fiscal Charges	248,681	248,681	261,684	261,684
Transfers/ other	-	-	-	-
<b>Total Cash Disbursements</b>	<b>\$ 12,585,316</b>	<b>\$ 10,982,587</b>	<b>\$ 12,690,684</b>	<b>\$ 11,190,077</b>

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

The general fund is the chief operating fund of the Wayne Local Schools. At the end of the current fiscal year the unreserved fund balance was \$2,248,772. This amount is net of encumbrances of \$181,162 and the budget stabilization reserve of \$245,233. The general fund had \$10,657,091 of receipts and other financing receipts and \$10,679,092 of disbursements and other financing disbursements.

The general fund balance of the Wayne Local Schools decreased \$22,001 during the fiscal period ending June 30, 2007. This decrease was due to increases in energy and people costs mostly offset by increases in grants, entitlements and cost saving initiatives. In addition pre-school handicapped expenses that were previously funded by Warren County MRDD continue to climb. Warren County MRDD has ceased funding and of such expenses. Cost savings continue in workers compensation expenses due to participation in a group rating pool. Likewise we have saved in property insurances using a similar pooling concept. We continued in the effective use and rent of the districts' assets. Though we gained a small amount of local tax revenue the State continues to charge off 23 mills worth of taxes against our state aid versus the 20 mill floor that the district collects from local taxation. Though we have experienced student population growth this state charge-off results in a stagnant state funding level over the last four years. In 2003 the state foundation receipts amounted to 53.1% of our total funding; in 2007 the percentage has dropped to 40.2%. Clearly this is an egregious shift in school funding to the local level.

**General Fund Budgetary Highlights**

The districts budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant and highest dollar volume budgeted fund is the General Fund. During the course of the year, as allowed by law and changes in economics, the District revised the General Fund budget at various times. The final adjusted budget as with past year's budgets, attempts to include all cost savings initiatives and projected economic factors in the budget. For the year ended June 30, 2007, General Fund disbursements were \$123,960 less than the final budget appropriations. Under state law a state district cannot allow expenditures to exceed budgeted amounts. As such the typical treasurer should budget with fiscal constraints in mind, yet allow for contingencies to ensure meeting statutory requirements. As such, a typical district should inherently have actual expenditures be lower than budgeted amounts

On the revenue side, actual revenues for the general fund were \$905,838 above the final revenue budgeted amount. One of the main reasons is we decreased our revenue budgets because we did not think we were going to receive our rollback amounts from the state by fiscal year end. Under state law, a district cannot budget total resources to exceed actual amounts. As such treasurers must be very cautious in budgeting revenues. Districts should have actual revenues exceed budgeted amounts. Please note in addition to the budget, the treasurer prepares a forecast and five year plan that is used as the planning tools of the district. These tools allow for a more precise outlook of the financial picture of the district. This forecast can be found posted on the Ohio Department of Education website.

**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

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

In preparation of the fiscal year 2008 budget various factors were considered. On the cost side, Health Care Insurance costs continue to be a major concern. This will be mitigated in 2007-08 by jointly agreed upon increases in personal co-pays thereby reducing premium costs to the employee and the district. Energy costs and general inflation is a concern in the current outlook. Unfunded state mandates continue to create budget concerns. The mandate for all teachers to have master degrees yields deserved increases in pay. Special Education and the aforementioned unfunded pre-school costs continue to increase. Certified and non-certified pay increases and wage scale step increases are included in the cost budget. Staffing levels will need to be reviewed in future years to balance the budget.

On the revenue side, concerns continue on the adequacy of State funding and specifically the phantom revenue problem caused by the 23 mill charge off. School district millage decreases as property values rise. However the state subtracts the equivalent of 23 mills from the base state funding amounts on all property in the district. Thus as property values rise the district receives a fixed amount of funds from the local citizenry (until the 20 mill floor is met) but the state offsets state funding at a rate of 23 mills on the total of the assessed value of property in the district. This is why the term "phantom revenue" is attached to Ohio school funding. Even if a district is at the 20 mill floor, the district will lose a minimum of the value of 3 mills on all increasing property growth. Wayne Local will receive the same state funding for 2008 and 2009 even with student enrollment growth. This faulty state funding mechanism pushes school funding to the local taxpayer. This will mark six straight years of a decreased funding level from that of the level received in the fiscal year 2003.

**Outstanding Debt**

The district completed an advance refinancing of select bonds in June of 2003 that were previously issued in 1995 for the construction of a new high school. The total outstanding debt as of June 30, 2007 is \$6,470,639. As a result of the combination of various factors including the June 2003, bond refinancing, the initiative allowed for a property tax millage reduction to the local taxpayers. Note 11 of the financial statements illustrate the changes in the district's long-term obligations.

(Table 4)  
 Outstanding Debt, at Year End  
 Governmental Activities

	2007	2006
Construction Bonds	\$ 6,470,639	\$ 6,610,639
Capital Lease	-	-
Totals	\$ 6,470,639	\$ 6,610,639



**WAYNE LOCAL SCHOOLS**  
**Management's Discussion and Analysis (continued)**  
**For the Year Ended June 30, 2007**

**Request for information**

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

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 4,345,503
<i>Total Assets</i>	4,345,503
NET ASSETS:	
Restricted For:	
Debt Service	521,031
Capital Outlay	739,964
Budget Stabilization	245,233
Serverance Payments	144,412
Other Purposes	237,261
Unrestricted	2,457,602
<i>Total Net Assets</i>	\$ 4,345,503

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

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular and Special	\$ 6,611,623	\$ 266,561	\$ 453,416	\$ (5,891,646)
Vocational	14,875	-	-	(14,875)
Adult/Continuing	5,000	-	-	(5,000)
Other	125,141	-	-	(125,141)
Support Services:				
Pupils	763,264	-	-	(763,264)
Instructional Staff	568,038	-	-	(568,038)
Board of Education	37,617	-	-	(37,617)
Administration	841,669	-	-	(841,669)
Fiscal	281,800	-	-	(281,800)
Business	129,249	-	-	(129,249)
Operation and Maintenance of Plant	805,478	-	-	(805,478)
Pupil Transportation	634,626	-	-	(634,626)
Central	41,685	-	-	(41,685)
Operation of Non-Instructional Services	57,259	-	-	(57,259)
Operation of Food Service	380,720	296,221	77,061	(7,438)
Extracurricular Activities	487,141	509,470	-	22,329
Capital Outlay/Site Improvement	411,450	-	-	(411,450)
Debt Service:				
Principal	140,000	-	-	(140,000)
Interest	248,681	-	-	(248,681)
<b>Total Governmental Activities</b>	<b><u>\$ 12,585,316</u></b>	<b><u>\$ 1,072,252</u></b>	<b><u>\$ 530,477</u></b>	<b><u>\$ (10,982,587)</u></b>
		<b>General Receipts:</b>		
		Property Taxes Levied for:		
				5,157,915
				319,796
				441,070
				5,035,737
				238,276
				67,119
				<u>11,259,913</u>
				277,326
				<u>4,068,177</u>
				<u>\$ 4,345,503</u>

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

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Equity in Pooled Cash and Cash Equivalents	2,675,167	1,670,336	\$ 4,345,503
<i>Total Assets</i>	<u>2,675,167</u>	<u>1,670,336</u>	<u>4,345,503</u>
<b>FUND BALANCES:</b>			
Reserved for Encumbrances	181,162	108,991	290,153
Unreserved:			
Designated for Budget Stabilization	245,233	-	245,233
Designated for Severance Payments	-	144,412	144,412
Undesignated, Reported in :			
General Fund	2,248,772	-	2,248,772
Special Revenue Funds	-	154,684	154,684
Debt Service Fund	-	521,031	521,031
Capital Projects Funds	-	741,218	741,218
<i>Total Fund Balances</i>	<u>\$ 2,675,167</u>	<u>\$ 1,670,336</u>	<u>\$ 4,345,503</u>

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

**WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>			
Property Taxes	\$ 5,157,915	\$ 760,866	\$ 5,918,781
Intergovernmental	4,935,188	631,026	5,566,214
Interest	222,161	16,115	238,276
Tuition and Fees	266,561	-	266,561
Food Services	-	295,937	295,937
Extracurricular Activities	2,027	296,392	298,419
Miscellaneous	68,839	205,215	274,054
Total Receipts	<u>10,652,691</u>	<u>2,205,551</u>	<u>12,858,242</u>
<b>CASH DISBURSEMENTS</b>			
Instruction:			
Regular	5,674,940	127,473	5,802,413
Special	649,689	159,521	809,210
Vocational	14,875	-	14,875
Adult/Continuing	-	5,000	5,000
Other	122,441	2,700	125,141
Support Services:			
Pupils	508,652	254,612	763,264
Instructional Staff	568,038	-	568,038
Board of Education	35,867	1,750	37,617
School Administration	841,108	561	841,669
Fiscal	270,441	11,359	281,800
Business	129,249	-	129,249
Operation and Maintenance of Plant	803,813	1,665	805,478
Pupil Transportation	634,116	510	634,626
Central	27,685	14,000	41,685
Operation of Food Service	-	380,720	380,720
Extracurricular Activities	186,212	300,929	487,141
Capital Outlay	-	411,450	411,450
Other Non-Instructional	57,259	-	57,259
Debt Service:			
Principal	-	140,000	140,000
Interest	-	248,681	248,681
Total Disbursements	<u>10,524,385</u>	<u>2,060,931</u>	<u>12,585,316</u>
Total Cash Receipts Over/(Under) Disbursements	128,306	144,620	272,926
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Assets	4,400	-	4,400
Transfers-In	-	154,707	154,707
Transfers-Out	(154,707)	-	(154,707)
Total Other Financing Receipts (Disbursements)	<u>(150,307)</u>	<u>154,707</u>	<u>4,400</u>
Net Change in Fund Balances	(22,001)	299,327	277,326
Fund Balances, Beginning of Year (as restated)	<u>2,697,168</u>	<u>1,371,009</u>	<u>4,068,177</u>
<b>Fund Balances, June 30, 2007</b>	<u>\$ 2,675,167</u>	<u>\$ 1,670,336</u>	<u>\$ 4,345,503</u>

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

**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CASH RECEIPTS</b>				
Property Taxes	\$ 5,261,142	\$ 5,013,258	\$ 5,157,915	\$ 144,657
Intergovernmental	4,862,955	4,231,522	4,935,188	703,666
Interest	144,784	169,784	222,161	52,377
Tuition and Fees	184,686	182,020	190,296	8,276
Classroom Materials and Fees	72,104	72,104	76,265	4,161
Revenue in Lieu in Taxes	96	96	47	(49)
Miscellaneous	20,468	79,286	70,819	(8,467)
<b>Total Cash Receipts</b>	<b>10,546,235</b>	<b>9,748,070</b>	<b>10,652,691</b>	<b>904,621</b>
<b>CASH DISBURSEMENTS</b>				
Current:				
Instruction:				
Regular	5,706,253	5,719,854	5,856,102	(136,248)
Special	774,842	774,842	649,689	125,153
Vocational	12,666	12,666	14,875	(2,209)
Other	126,367	126,367	122,441	3,926
Support Services:				
Pupils	578,250	578,250	508,652	69,598
Instructional Staff	501,684	501,684	568,038	(66,354)
Board of Education	23,941	23,941	35,867	(11,926)
School Administration	857,722	857,722	841,108	16,614
Fiscal	308,558	308,558	270,441	38,117
Business	117,696	117,696	129,249	(11,553)
Operation and Maintenance of Plant	900,827	900,827	824,328	76,499
Pupil Transportation	627,759	627,759	634,116	(6,357)
Central	61,356	61,356	27,685	33,671
Academic and Subject Oriented Activities	58,639	58,639	36,744	21,895
Extracurricular Activities	153,646	153,646	186,212	(32,566)
Capital Outlay	-	-	-	-
<b>Total Cash Disbursements</b>	<b>10,810,206</b>	<b>10,823,807</b>	<b>10,705,547</b>	<b>118,260</b>
<b>Excess of Cash Receipts Over (Under) Disbursements</b>	<b>(263,971)</b>	<b>(1,075,737)</b>	<b>(52,856)</b>	<b>1,022,881</b>
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>				
Proceeds from the Sale of Assets	-	3,183	4,400	1,217
Transfers Out	(160,407)	(160,407)	(154,707)	5,700
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(160,407)</b>	<b>(157,224)</b>	<b>(150,307)</b>	<b>6,917</b>
<b>Net Change in Fund Balance</b>	<b>(424,378)</b>	<b>(1,232,961)</b>	<b>(203,163)</b>	<b>1,029,798</b>
Fund Balance at Beginning of Year	2,697,102	2,697,102	2,530,158	-
Prior Year Encumbrances Appropriated	167,010	167,010	167,010	-
<b>Fund Balance at End of Year</b>	<b>\$ 2,439,734</b>	<b>\$ 1,631,151</b>	<b>\$ 2,494,005</b>	<b>\$ 1,029,798</b>

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

**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS**  
**FIDUCIARY FUND**  
**June 30, 2007**

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	<b>Private Purpose Trust</b>	<b>Agency Fund</b>
<b>ASSETS:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 16,425	\$ 25,729
<b>NET ASSETS:</b>		
Restricted for Scholarships	16,425	-
Unrestricted	-	25,729
<i>Total Net Assets</i>	\$ 16,425	\$ 25,729

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

**WAYNE LOCAL SCHOOL DISTRICT**  
**WARREN COUNTY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS**  
**FIDUCIARY FUND**  
**For the Fiscal Year Ended June 30, 2007**

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	<b>Private Purpose Trust</b>
<b>Additions</b>	
Miscellaneous	\$ 13,666
Total Additions	13,666
<b>Deductions</b>	
Operation of Non-Instructional Services	9,955
Total Deductions	9,955
Change in Net Assets	3,711
Net Assets - Beginning of Year (as restated)	12,714
Net Assets - End of Year	\$ 16,425

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



**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

The Wayne Local School District (the District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. The District covers land located in Warren County and a portion of Greene County. The buildings and administration are located in the village of Waynesville. The District serves an area of approximately 47 square miles. The District has a history of strong academic, arts and athletic success.

The recent Ohio report card, as published by the Ohio Department of Education, has Waynesville at the “EXCELLENT” rating with 30 out of 30 indicators met, this is the highest rating per ODE standards. In addition you will find, based on ODE reports, Wayne Local Schools has one of the lowest per pupil spending amounts in the State. The link to the ODE web site is: <http://www.ode.state.oh.us/>

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the School District's instructional/support facilities staffed by 56 classified employees, 95 certificated full-time personnel, and 4 administrators who provide services to 1,433 students (average daily membership per ODE method of equivalent student calculations) and numerous community members, groups and activities. The School District currently operates three buildings at one base location of 76 acres.

**Reporting Entity**

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

**Jointly Governed Organizations**

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

**Dayton Area Superintendent's Association:**

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

**Warren County Career Center**

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

**Southwestern Ohio Educational Purchasing Council**

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

Each member District has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member Districts by the Fiscal Agent. Any District withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain information, write to the SOEPC, Ken Swink, who serves as the director, at 303 Corporate Center Drive, Suite 208, Vandalia Ohio, 45371.

**Southwestern Ohio Instructional Technology Association**

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

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

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

**Southwestern Ohio Computer Association (SWOCA)**

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

**Jewell Education Foundation**

The District is a participant in the Jewell Education Foundation, which is a jointly governed educational foundation established to benefit the school Districts in Warren County. The Foundation was created to promote and assist in funding through soliciting grants and charitable contributions for distributions to member educational institutions of participating school Districts. The governing board is made up of the Warren County Vocational School District superintendent, one member of the 1999 Warren County Vocational School District Board of Education, not on the current board, and one member submitted by each participating school District. The District made no financial contribution to the Foundation nor have we received any in Fiscal Year 2007. Financial information can be obtained from the director of planned giving, Bill Thornton at P.O. Box 854, Lebanon, Ohio 45036.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

**RELATED ORGANIZATION**

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

**PUBLIC ENTITY RISK POOL**

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

**MEDICAL AND DENTAL BENEFITS**

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

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

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

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

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***A. Fund Accounting***

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

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

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

***B. Basis of Presentation***

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

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

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

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

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

The District values cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 was \$222,161, with a total of \$238,276 for all governmental funds.

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***D. Designated Fund Balance***

The Board has a set aside (not state mandated) \$245,233. This amount was previously established under past and now renounced state statute concerning rainy-day set aside requirements. The Board, though not required by state law, continues to desire to display this amount as a safety net or rainy day type funds. In Fiscal year 2005 the Board established a fund to specifically ensure adequate cash to fund severance amounts for teachers and non-certified employees this amount is now at \$144,412. This amount ensures coverage of current eligible retirees. The other restricted assets is \$16,425 which is the total fiscal year end balance of Trust type accounts held for scholarships, awards etc. (See Note 12 for additional information regarding set-asides.)

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

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

***F. Capital Assets***

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

***G. Compensated Absences***

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused sick leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting. However please note we have gone one step further than a mere accrual of the liability, we have 100% funded the required amounts, this ensures we can meet such obligations as they occur, and not just use an unfunded accrual.

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

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

***I. Net Assets***

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net assets restricted for other purposes represent net assets restricted by State and Federal grantor agencies. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's restricted net assets of \$1,887,901; \$389,645 were restricted by enabling legislations.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***J. Interfund Activity***

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers between governmental activities are eliminated on the entity wide statements. Interfund transfers occurred within the accounting of the total governmental fund totals. The transfers totaled \$154,707 with a net impact of \$0 within the governmental fund.

***K. Budgetary Data***

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

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

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

**Note 3 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**Note 3 - Property Taxes (Continued)**

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. House Bill 66, passed in 2005 phases out the tax on tangible personal property of all general business and railroad property by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. The District receives property taxes from Warren and Greene County. The Warren County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent. No advances were received by the District for the second half collections prior to June 30, 2007.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second		2007 FIRST	
	Half property Assessed Values		Half property Assessed Values	
	AMOUNT	PERCENT	AMOUNT	PERCENT
Ag/Residential & Other Real Estate	\$ 169,677,960	94.1%	\$ 201,727,860	95.4%
Public Utility Personal	\$ 8,452,700	4.7%	\$ 8,243,510	3.9%
Tangible Personal Property	\$ 2,189,025	1.2%	\$ 1,490,802	0.7%
Total	<u>\$ 180,319,685</u>	<u>100.0%</u>	<u>\$ 211,462,172</u>	<u>100.0%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 33.04		\$ 32.05	

**Note 4 - Deposits and Investments**

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

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

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

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 4 - Deposits and Investments (Continued)**

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

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

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the School District had no undeposited cash on hand.

**Custodial Risk**

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. At year-end, the School District's bank balances totaled \$1,931,637. The amount of the bank balance covered by federal deposit insurance was \$201,860, with the remainder of \$1,729,777 collateralized in the manner described above.



**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 4 - Deposits and Investments (Continued)**

**Investments**

At June 30, 2007, the District's investment balance was as follows:

Investment Classification	Fair Value	Weighted Avg. Maturity
Federal National Mortgage Association Notes	\$ 1,000,000	0.66
Federal Home Loan Bank Notes	1,605,000	1.06
Star Ohio	12,886	-
Sub-total of Investments Requiring Weighted Average	<u>2,617,886</u>	<u>0.90</u>
Total Investments	<u>\$ 2,617,886</u>	

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

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Federal National Mortgage Association Notes, and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor. STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 38% of the District's investments are in Federal National Mortgage Association Notes and 61% in Federal Home Loan Bank Notes.

**Note 5 - Interfund Balances**

No unpaid inter-fund cash advances existed at June 30, 2007.

**Note 6- Interfund Transfers**

One Interfund cash transfer of \$154,707 was completed for the year ended June 30, 2007. This was entirely within the governmental accounts and was to supplement the building and or land purchase funds.

**Note 7 - Risk Management**

***A. Commercial Insurance***

The District has obtained commercial insurance for the following risks:

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

Insurance coverage has not significantly changed since the prior year. Claims have not exceeded coverage in any of the past three years.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 7 – Risk Management (Continued)**

**Risk Pool Membership**

The District is a member of the Southwestern Ohio Educational Purchasing Council (EPC) group Insurance purchasing program. The Program currently includes 33 Ohio Public School Districts in Southwestern Ohio. The secured self-insurance package developed by Marsh and now under Gallagher Risk Management Services allows the EPC council to retain a portion of predictable losses, transfer a portion of catastrophic risk, and broaden our insurance program coverages. The Pool assumes the risk of loss up to the limits of the carrier. The loss fund is at \$569,206 and represents the residual cash after considering outstanding reserves. With this program there is an aggregate (Stop Loss) Insurance policy. Should the loss fund be exhausted by the EPC council, the aggregate excess coverage applies to the fund the retention on behalf of the EPC council. No supplemental assessments can occur under this program. In turn the District has no claim to any loss fund or other program assets. The Pool covers the following risks:

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

***B. Workers' Compensation***

For fiscal year 2007 the School District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Comp Management Incorporated. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school Districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school Districts in the GRP. Each participant pays its' workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. The 2007 estimated savings to the District was \$43,924. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and Corvell Inc. provide administrative, cost control and actuarial services to the GRP.

***C. Employee Medical Benefits***

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

**Note 8 - Benefit Pension Plans**

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

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 8 - Benefit Pension Plans (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate, currently 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used for fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for the years ended June 30, 2007, 2006 and 2005 were \$248,859, \$225,696 and \$223,318, respectively. This amount is withheld directly from our foundation allocation.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer defined benefit pension plan. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported in whole or in part by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available, stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

Plan Options – Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contributions (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**DB Plan Benefits** – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 8 - Benefit Pension Plans (Continued)**

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Combined Plan Benefits** – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For fiscal year 2007 plan members were required to contribute 10% of their annual covered salaries. The District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations 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 years ended June 30, 2007, 2006 and 2005 were approximately \$714,728, \$705,474, and \$671,500, respectively.

**Note 9- Post-employment Benefits**

The School District provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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.

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**Note 9- Post-employment Benefits (Continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$52,859 for fiscal year 2007.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2007 the healthcare allocation was 3.32 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$55,600.

Net health care costs for the year ended June 30, 2007 were \$127,615,614. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was \$386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 55,818 participants eligible to receive health care benefits.

**Note 10- Contingencies**

***A. Grants***

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

***B. Litigation***

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**Note 11 – Long – Term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2007 were as follows:

**Governmental Activities**

Description	Amount			Amount	
	Outstanding at 6/30/2006	Additions	Deductions	Outstanding at 6/30/2007	Due within one Year
1996 Bonds	\$ 1,755,000	\$ -	\$ (40,000)	\$ 1,715,000	\$ 65,000
2003 Bonds	4,000,000	-	(100,000)	3,900,000	100,000
Sub-total	\$ 5,755,000	\$ -	\$ (140,000)	\$ 5,615,000	\$ 165,000
Capital Appreciation					
Bonds -2003					
Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983	\$ -
Premium	830,656	-	-	830,656	-
Sub-total Cap Bonds	855,639	-	-	855,639	-
Grand Total	\$ 6,610,639	\$ -	\$ (140,000)	\$ 6,470,639	\$ 165,000

All current obligation bonds outstanding were issued to provide funds for the acquisition and construction of equipment and facilities are general obligations of the District for which the full faith and credit of the district is pledged for repayment. Accordingly, payments of principal and interest relating to the liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from the current bonded debt tax levy. The original millage passed for collection was 5.95 mills. However due to property growth and the refinancing of select bonds the current effective tax millage is 2.5mills. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund \$4,255,000 of the 1996 general obligation bonds. The securities and proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of such future debt services were completely paid as of June 30, 2007. The refunded bonds are not included in the District’s outstanding debt since the district has satisfied it’s obligations through the advance refunding.

The 2003 bond issue is comprised of both general obligation current interest bonds with an outstanding face value of \$3,900,000, and capital appreciation bonds with a face value of \$24,983 with a premium of \$830,656. These capital appreciation bonds will accrete to a value of \$2,190,000 at the time of repayment over the fiscal years of 2023-2025. The total payment of \$2,190,000 will be \$710,000 in 2022; \$730,000 in 2023; and \$750,000 in 2024. These amounts are illustrated in the payment schedule below as a total of \$2,190,000 under the Capital Appreciation Bonds section. The interest rates on the 2003 refinanced current interest bonds range from 1.500% to 3.850%. All bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB’S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Accretion	Total
2008	\$165,000	\$243,295	\$408,295	\$ -	\$ -	\$ -
2009	180,000	236,494	416,494	-	-	-
2010	195,000	228,475	423,475	-	-	-
2011	225,000	218,755	443,755	-	-	-
2012	250,000	207,074	457,074	-	-	-
2013-2017	1,775,000	786,128	2,561,128	-	-	-
2018-2022	2,825,000	279,700	3,104,700	-	-	-
<u>2023-2025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,983</u>	<u>2,165,017</u>	<u>2,190,000</u>
<b>TOTAL:</b>	<b>\$5,615,000</b>	<b>\$2,199,921</b>	<b>\$7,814,921</b>	<b>\$24,983</b>	<b>\$2,165,017</b>	<b>\$2,190,000</b>

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effect of these debt limitations at June 30, 2007, is a total a debt margin of \$14,182,643 (including available funds of \$521,031 the current balance of the bond retirement account).

**Note 12 - Set-Aside Calculations**

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

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

note: A negative balance means we have exceeded the requirements and do NOT have to set aside funds			
	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2006	\$0	\$0	\$245,233
Carry over Credit	(\$634,238)	\$0	\$0
Current Year Set-aside Requirement	207,952	207,952	\$0
Current Year Offsets/ Disbursements	(317,402)	(330,912)	\$0
Totals	<u>(743,688)</u>	<u>(122,960)</u>	<u>245,233</u>

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

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

**Wayne Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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

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

**Note 13 – State School Funding Decision**

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed: “The Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.”... The District is currently unable to determine if this decision will ever assist the district in its financial operations. However we can report that our state funding as a percentage of total funding has gone from 53.1% in 2003 to 40.2% in 2007 and that the state has informed us that despite growing enrollment our 2008 and 2009 dollars are frozen at levels established in 2006.

**Note 14 – Restatement of Fund Balance and Net Assets**

The District restated their beginning fund balances and net assets due to errors in reporting cash balances which have been corrected. The effect on fund balances and net assets as of July 1, 2006 is as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances as of June 30, 2006	\$ 2,697,102	\$ 1,369,685	\$ 4,066,787
Correction of Cash Balances	66	1,324	1,390
Restated Fund Balances as of July 1, 2006	\$ 2,697,168	\$ 1,371,009	\$ 4,068,177
		Governmental Activities	
Net Assets as of June 30, 2006		\$ 4,066,787	
Correction of Cash Balances		1,390	
Restated Net Assets as of July 1, 2006		\$ 4,068,177	
		Private Purpose Trust Fund	
Fund Balances as of June 30, 2006		\$ 14,104	
Correction of Cash Balances		(1,390)	
Restated Fund Balances as of July 1, 2006		\$ 12,714	

**Note 15 -Compliance and Accountability**

**Compliance**

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) require the School District to prepare its financial statements in accordance with GAAP. However, the School District opts to prepare its financial statements in accordance with the cash basis of accounting.



**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board  
Wayne Local School District  
Warren County, Ohio  
659 Dayton Road  
Waynesville, Ohio 45068

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Wayne Local School District (the School District) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2008 wherein we noted the School District follows the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of the Board

Wayne Local School District

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

Page 2

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and members of the Board of Education. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

November 14, 2008

WAYNE LOCAL SCHOOL DISTRICT  
WARREN COUNTY, OHIO

SCHEDULE OF FINDINGS  
JUNE 30, 2007

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

FINDING NUMBER 2007-001

**Noncompliance Citation**

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

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

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

***Client Response:***

The Wayne Local School follows the AICPA practices aid series in applying OCBOA in state and local governmental financial statements. The AICPA series clearly indicates that as many as 75% of state and local governmental entities use a basis of accounting other than GAAP. The Wayne Local Schools Board of Education has determined that OCBOA is cost effective and provides all users with a sound basis of “cash” financial results. OCBOA and cash reporting is consistent with all other required governmental and tax budget reporting. We feel that by filing the widely accepted cash (non GAAP) financial statements that we serve the district and the community in the most cost effective manner, and provide an understandable set of resultant financial statements. Please understand this is not an internal control matter impacting the transactional integrity of our financial systems

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Administrative Code Section 117-2-03(B)-Not reporting GAAP	No	Not Corrected. Reissued as finding 2007-001.



**Mary Taylor, CPA**  
Auditor of State

**WAYNE LOCAL SCHOOL DISTRICT**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 22, 2009**