



Dave Yost • Auditor of State

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Local School District, Warren County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2013, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities." We did not modify our opinion regarding these matters.

Other Matters

Supplemental and Other Information

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013

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WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2013

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, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the District's financial results.

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

- The Net position of governmental activities increased by \$1,504,067. At the close of the 2013 fiscal year, Wayne Local Schools' governmental funds reported a cash fund balance of \$7,520,532. Of this amount \$4,781,915 are unassigned funds that are available for spending to support operations at Management's discretion.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found starting on page 11 of the report.

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

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

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

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

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

The cash basis governmental fund financial statement can be found on pages 13- 15 of this report.

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

The basic fiduciary fund financial statements can be found on pages 16- 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 18 to 30 of this report.

Government-Wide Financial Analysis

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

Table 1
Net Position

	2013	2012
Cash	\$ 7,520,532	\$ 6,016,465
Total Assets	\$ 7,520,532	\$ 6,016,465
Net Position		
Restricted for:		
Debt Service	659,993	643,741
Capital Outlay	950,317	1,052,232
Severance Payments	178,870	220,937
Cafeteria	259,646	203,509
Other Funds	608,223	455,002
Encumbrances	-	96,063
Total Restricted	\$ 2,657,049	\$ 2,671,484
Unrestricted	\$ 4,863,483	\$ 3,344,981
Total Net Position	\$ 7,520,532	\$ 6,016,465

The overall net position is up \$1.5 million and is mostly reflected in our unrestricted cash. This is due to our revenue growth being higher than current expense levels. There were no base increases beyond step levels. Our capital outlay balance dropped \$.1 million and this is due to installation of a new HVAC system in the middle school.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

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

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

Table 2
Change in Net Position

	2013	2012
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,490,279	\$ 1,351,512
Operating Grants & Contributions	748,972	650,476
Total Program Cash Receipts	\$ 2,239,251	\$ 2,001,988
General Cash Receipts		
Property Taxes	8,828,752	8,494,237
Grants and Entitlements not Restricted to Specific Programs	5,191,183	5,051,859
Investment Earnings	29,680	28,947
Miscellaneous	12,198	79,021
Total General Cash Receipts	14,061,813	13,654,064
Total Cash Receipts	\$ 16,301,064	\$ 15,656,052

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

Change in Net Position

	<u>2013</u>	<u>2012</u>
Expenses		
Program Cash Disbursements		
Instruction:		
Regular	\$ 6,920,599	\$ 6,289,778
Special	1,029,337	1,235,054
Vocational	65,559	29,566
Adult Continuing	-	3,000
Other	31,580	30,683
Support Services:		
Pupils	962,070	750,445
Instructional Staff	922,139	994,736
Board of Education	23,382	63,643
Administration	827,269	932,862
Fiscal	288,818	320,256
Business	138,654	40,746
Operation and Maintenance of Plant	765,946	805,769
Pupil Transportation	669,327	675,664
Central	110,301	83,218
Other:		
Operation of Non-Instructional	34,027	39,801
Operation of Food Services	304,330	284,948
Extracurricular Activities	621,939	581,255
Capital Outlay	618,031	266,022
Debt Service:		
Principal	270,000	250,000
Interest	193,689	207,074
Total Cash Disbursements	<u>14,796,997</u>	<u>13,884,520</u>
Change in Net Position	<u>1,504,067</u>	<u>1,771,532</u>
Net Position, Beginning of the Year	<u>6,016,465</u>	<u>4,244,933</u>
Net Position, End of the Year	<u>\$ 7,520,532</u>	<u>\$ 6,016,465</u>

Governmental Activities

Grants and entitlements not restricted to specific programs made up 31.8 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2013. Property tax receipts made up 54.2 percent of the total cash receipts for governmental activities. These two items make up a total of 86.0 percent of all cash receipts in our governmental accounts. Instruction costs comprise 54.4 percent of governmental program cash disbursements. Support services expenses make up 31.8 percent of governmental cash disbursements.

In fiscal year 2013 we went through an extensive change in our accounts as directed by the State. It makes it difficult to explain line vs. line from above. In general, on the revenue side we did see increased revenue due to our incremental property tax levy and the growth in Public Utility tax receipts due to the recent pipeline. On the expense side we had 1 less total personnel in 2013 vs. 2012. Base wages were frozen and health care grew at a 6.5% level. Our increase in spending from year to year was due to the \$.5 million cost to upgrade our Middle School HVAC system.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$ 8,047,075	\$ 6,792,506	\$ 7,588,081	\$ 6,485,993
Support Services	4,707,906	4,707,906	4,667,339	4,667,339
Operation of Non-Instructional Services	338,357	(199,579)	324,749	(103,642)
Extracurricular Activities	621,939	175,193	581,255	109,746
Capital Outlay	618,031	618,031	266,022	266,022
Intergovernmental	-	-	-	-
Principal	270,000	270,000	250,000	250,000
Interest and Fiscal Charges	193,689	193,689	207,074	207,074
Transfers/ other	-	-	-	-
Total Cash Disbursements	<u>\$ 14,796,997</u>	<u>\$ 12,557,746</u>	<u>\$ 13,884,520</u>	<u>\$ 11,882,532</u>

The District's Funds

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

The focus of Wayne Local Schools' Governmental Funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular unreserved fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year. As of the end of the current fiscal year Wayne Local's governmental funds reported a combined ending fund (cash basis) balances of \$7,520,532 an increase of \$1,504,067 in comparison to the previous year. This represents a twenty five percent increase from the prior year. Of this amount \$4,781,915 constitutes an unassigned fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is restricted, committed or assigned to indicate that the amounts are not available for new spending or for spending outside of the inherent guidelines of the fund.

The District has two major funds: the General Fund and Capital Projects Fund.

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

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

At the end of the current fiscal year the unassigned General Fund balance is \$4,781,915. An unassigned balance represents the fund balance that has not been assigned to other funds, and that has not been restricted,

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

The District's Funds (continued)

committed or assigned to specific purposes within the General Fund. The reader should view the unassigned General Fund balance as the residual cash that is unencumbered and free to be used for the future expenditures of the District.

The unassigned General Fund balance of the Wayne Local Schools increased \$1,483,761 during the fiscal period ending June 30, 2013. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. At the present time our revenues exceed our current expenses by \$1.5 million and this means our cash balance is growing. This should continue in FY2014. As we move out past FY 2015 we are anticipating a decrease in state aid and federal grants in future years with flat lined local revenue. It is imperative that we build our cash balance over the next few years to assist in long term viability.

Our other major fund is the Capital Projects fund and it decreased by \$.5 million. This is due to the aforementioned HVAC upgrade and replacement in our Middle School. This fund receives approximately \$550,000 a year in revenue and this amount is used for capital improvement priorities of the district. We plan for capital expenditures and then plan our targeted cash balance needed to take care of such capital spending needs.

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

The District's budget is prepared according to Ohio Law and is based on accounting for transactions on a cash basis of receipts and disbursements, while allowing for the accounting of outstanding encumbrances to be paid. The most significant and highest dollar volume budgeted fund is the Base General Fund, which would exclude the severance and public school support accounts. During the course of the year, as allowed by law the District can revise the General Fund budget at various times. The final adjusted budget as with past year's budgets, attempts to include all cost savings initiatives and projected economic factors in the original budget. For the year ended June 30, 2013, General Fund disbursements were \$262,231 less than the final budget appropriations. Under state law a school district cannot allow expenditures to exceed budgeted amounts. The prudent treasurer should budget with fiscal constraints in mind, yet allow for contingencies to ensure meeting statutory requirements. As such districts must have budgeted/appropriated amounts that are in excess of actual expenditures. We typically have a built in budget contingency of \$300,000 to ensure we meet the Ohio Law requirement that your budget must exceed your actual expenses.

On the revenue side, actual revenues for the General Fund were \$557,823 above the final revenue budgeted amount. Under state law, a district cannot budget total resources that would exceed the ultimate actual amounts. As such treasurers must be very cautious in budgeting revenues to be in compliance with state law. Districts should have actual revenues exceed budgeted amounts. I set the budget for revenue in September of 2012, and at that time was anticipating a reduction in state aid. Please note in addition to the budget, the Treasurer prepares a monthly forecast and five year plan that is used as the planning tools of the District. These tools allow for both planning and provide a barometer of the financial outlook of the District.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2013

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2014 budget various factors were considered. On the revenue side we are forecasting flat-lined revenue from the state, an increase of \$295,000 of local taxes and a reduction in federal grant funds.

On the cost side increases in salaries are limited to the step increases as applicable to certified and non-certified staff. To combat rising health care we are moving to a high deductible health care plan. We anticipate rates in 2015 will rise 6.5%.

We have a renewal of a levy in calendar year 2014 and this renewal is paramount. We are working with all of our stakeholders to control costs. It is imperative that we work together in the school and in the community to be efficient, prudent and effective in our operations.

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. This was an extremely positive move to save our taxpayers interest costs. The total outstanding debt as of June 30, 2013 is \$4,354,983. As a result of the combination of various factors including the June 2003, bond refinancing allowed for a property tax millage reduction to the local taxpayers. Note 12 of the financial statements illustrate the changes in the District's long-term obligations. You will note in our subsequent events note 17 that we once again our refinancing the 2003 bonds to save in interest costs.

Description	Amount			Amount Outstanding at 6/30/2013
	Outstanding at 6/30/2012	Additions	Deductions	
1996 Bonds	\$ 1,200,000	\$ -	\$ (170,000)	\$ 1,030,000
2003 Bonds	\$ 3,400,000	\$ -	\$ (100,000)	\$ 3,300,000
Sub-total	\$ 4,600,000	\$ -	\$ (270,000)	\$ 4,330,000
Capital Appreciation				
Bonds -2003				
Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983
Sub-total Cap Bonds	\$ 24,983	\$ -	\$ -	\$ 24,983
Grand Total	\$ 4,624,983	\$ -	\$ (270,000)	\$ 4,354,983

Request for information

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

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
June 30, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash & Cash Equivalents	\$7,520,532
Total Assets	\$7,520,532
 Net Position	
Restricted For:	
Debt Service	659,993
Capital Outlay	950,317
Severance Payments	178,870
Cafeteria	259,646
Activity Funds	608,223
Total Restricted	\$ 2,657,049
Unrestricted:	\$ 4,863,483
 TOTAL NET POSITION	\$7,520,532

Governmental Activities exclude agency and trust funds

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales		Operating Grants and Contributions
Governmental Activities				
Instruction:				
Regular and Special	7,949,936	679,427	570,819	(6,699,690)
Vocational	65,559	0	0	(65,559)
Adult/Continuing	0	4,323	0	4,323
Other Instruction	31,580	0	0	(31,580)
Support Services:				
Pupil	962,070	0	0	(962,070)
Instructional Staff	922,139	0	0	(922,139)
Board of Education	23,382	0	0	(23,382)
Administration	827,269	0	0	(827,269)
Fiscal	288,818	0	0	(288,818)
Business	138,654	0	0	(138,654)
Operation and Maintenance of Plant	765,946	0	0	(765,946)
Pupil Transportation	669,327	0	0	(669,327)
Central	110,301	0	0	(110,301)
Other:				
Enterprise Operations	34,027	180,266	0	146,239
Operation of Food Services	304,330	179,517	178,153	53,340
Extracurricular Activities	621,939	446,746	0	(175,193)
Capital Outlay/Site Improvement	618,031	0	0	(618,031)
Debt Service:				
Principal and Interest Charges	463,689	0	0	(463,689)
Total Governmental Activities	\$14,796,997	\$1,490,279	\$748,972	(12,557,746)
General Receipts:				
Property Taxes Levies for:				
General Purposes				\$7,906,836
Debt Service				430,802
Capital Outlay				491,114
Grants and Entitlements				
Not Restricted to Specific Programs				5,191,183
Investment Earnings				29,680
Miscellaneous				12,198
Total General Receipts				14,061,813
Change in Net Position				1,504,067
Net Position Beginning of Year				6,016,465
Net Position End of Year				\$7,520,532

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, 2013

	<u>General FUND</u>	<u>CAPITAL PROJECTS</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$5,390,456	\$756,758	\$1,373,318	\$7,520,532
<i>Total Assets</i>	<u>\$5,390,456</u>	<u>\$756,758</u>	<u>\$1,373,318</u>	<u>\$7,520,532</u>
Fund Balances				
RESTRICTED	-	-	1,373,241	1,373,241
COMMITTED	260,438	756,758	77	1,017,273
ASSIGNED	348,103	-	-	348,103
UNASSIGNED	4,781,915	-	-	4,781,915
<i>Total Fund Balances</i>	<u>\$ 5,390,456</u>	<u>\$ 756,758</u>	<u>\$ 1,373,318</u>	<u>\$ 7,520,532</u>

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	CAPITAL	Other Governmental Funds	Totals Governmental Funds
CASH RECEIPTS				
Property Taxes	\$7,906,836	\$491,114	\$430,802	\$8,828,752
Intergovernmental	5,074,362	62,345	\$803,485	5,940,192
Interest	9,437	496	\$131	10,064
Rental Income	19,616	0	\$0	19,616
Tuition and Fees	673,904	0	\$5,523	679,427
Food Service	0	0	\$179,517	179,517
Extracurricular Activities	0	0	\$390,427	390,427
Miscellaneous	188,532	3,895	\$60,642	253,069
<i>Total Receipts</i>	<u>13,872,687</u>	<u>557,850</u>	<u>1,870,527</u>	<u>16,301,064</u>
CASH DISBURSEMENTS				
Current:				
Instruction:				
Regular	6,845,194	0	75,405	6,920,599
Special	651,987	0	377,330	1,029,337
Vocational	65,559	0	-	65,559
Other Instructional	31,580	0	-	31,580
Support Services:				
Pupil	851,293	0	110,777	962,070
Instructional Staff	866,845	53,793	1,501	922,139
Board of Education	23,382	0	-	23,382
Administration	826,272	641	356	827,269
Fiscal	277,958	5,486	5,374	288,818
Business	138,654	0	-	138,654
Operation and Maintenance of Plant	765,946	0	-	765,946
Pupil Transportation	669,347	0	-	669,327
Central	110,301	0	-	110,301
Enterprise Operations	30,527	0	3,500	34,027
Operation of Food Services	0	0	304,330	304,330
Extracurricular Activities	234,081	0	387,858	621,939
Capital Outlay/ Site Improvement	0	618,031	-	618,031
Debt service:				
Principal	0	0	270,000	270,000
Interest	0	0	193,689	193,689
<i>Total Disbursements</i>	<u>12,388,926</u>	<u>677,951</u>	<u>1,730,120</u>	<u>14,796,997</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,483,761</u>	<u>(120,101)</u>	<u>140,407</u>	<u>1,504,067</u>
<i>Net Change in Fund Balances</i>	<u>1,483,761</u>	<u>(120,101)</u>	<u>140,407</u>	<u>1,504,067</u>
Fund Balances Beginning of Year	3,906,695	876,859	1,232,911	6,016,465
Fund Balances End of Year	<u>\$5,390,456</u>	<u>\$756,758</u>	<u>\$1,373,318</u>	<u>\$7,520,532</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 (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
CASH RECEIPTS				
Property Taxes	\$7,596,393	\$ 7,696,393	\$ 7,906,836	\$210,443
Intergovernmental	4,845,290	4,845,290	\$ 5,074,325	229,035
Interest	10,309	10,309	\$ 9,437	(872)
Tuition and Fees	479,152	479,152	\$ 578,719	99,567
Classroom Materials and Fees	81,919	81,919	\$ 95,185	13,266
Revenue in Lieu of Taxes	37	37	\$ 37	0
Miscellaneous	1,882	1,882	\$ 8,266	6,384
TOTAL CASH RECEIPTS:	13,014,982	13,114,982	\$ 13,672,805	557,823
CASH DISBURSEMENTS				
Instruction:				
Regular	6,422,276	6,771,770	6,680,969	90,801
Special	1,097,691	675,250	653,064	22,186
Vocational	30,009	69,000	65,559	3,441
Other Instruction	31,297	31,297	31,580	(283)
Support Services:				
Pupil	607,389	875,625	851,409	24,216
Instructional Staff	953,244	872,350	867,871	4,479
Board of Education	63,583	24,000	34,263	(10,263)
Administration	946,911	856,272	829,409	26,863
Fiscal	320,668	335,250	280,958	54,292
Business	40,307	142,500	169,523	(27,023)
Operation and Maintenance of Plant	821,120	825,000	773,954	51,046
Pupil Transportation	656,235	696,500	685,912	10,588
Central	71,167	105,750	104,531	1,219
Academic and Subject Oriented Activities	34,771	39,750	35,269	4,481
Extra Curricular Activities	157,323	205,000	198,812	6,188
TOTAL CASH DISBURSEMENTS	12,253,991	12,525,314	12,263,083	262,231
<i>Excess of Cash Receipts over/(under) Disbursements</i>	760,991	589,668	1,409,722	820,054
<i>Fund Balance Beginning of Year (includes prior-year encumbrances appropriated)</i>	3,372,193	3,372,193	3,372,193	0
FUND BALANCE END OF YEAR	\$4,133,184	\$3,961,861	\$4,781,915	\$820,054

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF NET FUND POSITION - CASH BASIS
FIDUCIARY FUNDS
June 30, 2013

	Private Purpose Trust	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 47,274	\$ 35,851
	<u>47,274</u>	<u>35,851</u>
NET POSITION:		
Held in Trust for Scholarships	47,274	0
Held on Behalf of Students	0	35,851
	<u>0</u>	<u>35,851</u>
<i>Total Net Position</i>	\$ 47,274	\$ 35,851
	<u>47,274</u>	<u>35,851</u>

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF CHANGES IN FUND NET POSITION - CASH BASIS
FIDUCIARY FUND
June 30, 2013

	<u>Private Purpose Trust</u>
Additions	
Earnings on Investments/ Interest Income	6,608
Miscellaneous	<u>3,987</u>
Total Additions	<u><u>10,595</u></u>
Deductions	
Operation of Non-Instructional Services	<u>12,273</u>
Total Deductions	<u><u>12,273</u></u>
Change in Net Position	<u>(1,678)</u>
Net Position- Beginning of Year	<u>\$ 48,952</u>
Net Position- End of Year	<u><u>\$ 47,274</u></u>

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

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Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 50 square miles. The District has a history of strong academic, arts and athletic success.

You will find from ODE reports Wayne Local Schools is high performing and 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 District's instructional/support facilities staffed by 60 classified employees, 89 certificated full-time personnel, and 5 administrators who provide services to 1,539 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups' activities. The District currently operates three buildings situated at one site location.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent's Association:

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

Warren County Career Center

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 126 school districts in 18 counties. The SOEPC acts as its own fiscal agent and is a Regional Council of Governments. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. To obtain information, write to the SOEPC, Ken Swink, who serves as the director, at 303 Corporate Center Drive, Suite 208, Vandalia Ohio, 45377.

Southwestern Ohio Instructional Technology Association

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

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

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

Southwestern Ohio Computer Association (SWOCA)

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

RELATED ORGANIZATION

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

PUBLIC ENTITY RISK POOL

For the fiscal year the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan. The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. The firms of Corvell Inc. and Hunter Consulting provide administrative, cost controls, and actuarial services to the GRP.

MEDICAL AND DENTAL BENEFITS

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

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 (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. The cash basis method is consistent with record keeping and current state software systems. The District has applied the use of "Other Comprehensive Basis of Accounting" (OCBOA) financial reporting and has used the American Institute of Certified Public Accountants (AICPA) practice aid series, "Applying OCBOA in State and Local Governmental Financial Statements" to assist in the format and content of the District's presentation. As noted while OCBOA does not represent GAAP it could currently be considered as generally applied principles for many small state and local governmental entities. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. But please note, we do account for and report obligations for encumbrances. An encumbrance is an approved purchase order for a service or product and represents an accrued liability. In addition we set aside cash for the calculated obligation of severance payments.

A. Fund Accounting

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

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund and Capital Projects Fund. The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law. The Capital Projects Fund accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements, technology, and bus purchases.

Fiduciary: Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include Private Purpose Trust Funds and Agency Funds. Trust Funds account for assets held by the District under an agreement for individuals, private organizations, or other governments and is therefore not available to support the District's own programs. The District's primary fiduciary fund is a Private Purpose Trust which accounts for scholarship money or recognition award funds as provided by various donors. The

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

District's Agency funds are custodial in nature, where the District deposits and pays cash as directed by District advisors that assist in student activities.

Fund Balance

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

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

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

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

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

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

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

Fund Balance Assets

The District's total Governmental Fund balance at the end of the 2013 fiscal year was \$7,520,532 with an unassigned balance of \$4,781,915. The classifications are detailed on page 13 of the Statement of Assets and Fund Balances – Cash Basis.

B. Basis of Presentation

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

Government-wide Financial Statement of Activities: The statement of net position and the statement of activities display information about the District as a whole, except for the aforementioned fiduciary funds. The statement reports governmental activities and business-type activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the District's general receipts. The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end.

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. The District has two major governmental funds which are the

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

“General Fund” and the “Capital Projects Fund” with the remaining labeled as “Other Governmental”. See pages 13 & 14 of the financial statements to review the breakdown of the accounts. The remaining fund classification is the Fiduciary Fund. They are reported by type either private purpose which are typically scholarship funds or agency student activity funds. (See pages 16&17 of the financial statements).

C. Cash and Cash Equivalents

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The District values cash equivalents at cost. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Earnings on investments credited to the General Fund during fiscal year 2013 were \$9,437 with a total of \$10,064 for all funds. For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents.

D. Inventory and Prepaid Item

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

E. Capital Assets

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

F. Compensated Absences

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

G. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments. See note 12 for debt obligation data. Please note that all required annual debt obligations for the year were met in a timely fashion.

H. Interfund Activity

Transfers between funds on the government-wide statements are reported in the same manner as general receipts. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The District did not have any such transfers in fiscal year 2013.

I. Budgetary Data

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

J. Net Position

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

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

Note 3 – Change in Accounting Principles

For fiscal year 2012, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities."

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the District's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2013 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2013 were levied after January 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty five percent of appraised market value. Real property taxes are payable annually or semi-annually. Public utility property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Public utility real property taxes received in calendar year 2013 became a lien December 31, 2012, was levied after April 1, 2012 and is collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value. House Bill 66 passed in 2005 phased out the tax on tangible personal property of all general business and railroad property by 2009, and the tax on telephone and telecommunications property was eliminated in 2011.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 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, 2013.

PROPERTY VALUATION DATA:

	FIRST HALF AMOUNT	JUL-DEC 2012 % TOTAL		SECOND HALF AMOUNT	JAN-JUNE 2013 % TOTAL
AG/RES	\$ 188,394,130	79.4%	AG/RES	\$ 183,355,590	77.7%
COMMERICAL/IND	\$ 15,307,230	6.4%	COMMERICAL/IND	\$ 14,498,550	6.1%
PUBLIC UTILITY	\$ 33,631,780	14.2%	PUBLIC UTILITY	\$ 38,233,940	16.2%
TOTAL	\$ 237,333,140	100.0%	TOTAL	\$ 236,088,080	100.0%
TAX RATE PER \$1,000 for AG/RES				\$ 37.51	\$ 38.46

Note 5 - Deposits and Investments

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Deposits and Investments (continued)

3. Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
4. 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;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. The State Treasurer's investment pool (STAR Ohio).

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

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

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

Custodial Risk

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. Thus for reporting purposes we provide this disclosure of exposure to custodial risk in its' entirety. At year-end, the carrying amount of the District's bank balances was \$7,979,584. Note that "carrying amount" is the bank balance without adjusting for outstanding checks or un-cleared checks. The amount of the bank balances covered by federal deposit insurance was \$767,117. The Securities Investor Protection Corporation (SIPC), insures investment accounts in the event of a failure, such accounts are insured up to \$500,000 per account. This includes \$250,000 in cash. Our investments in FNMA and FHLM are both backed by the good faith of the government. The remainder of our cash of \$7,212,467 is collateralized in the manner described above.

Investments

Investments are reported at cost, As of June 30, 2013 the District had the following investments.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Deposits and Investments (continued)

Investment Classification	Cost as of 6/30/2013	% of Total Investment	Maturities 1-5 Years	Maturities > 5 Years
Federal National Mortgage Association Notes	\$2,100,000	67.45%	\$2,100,000	\$0
Federal Home Loan Bank Notes	\$1,000,000	32.12%	\$1,000,000	\$0
Star Ohio	\$13,622	0.44%	\$13,622	\$0
Total Investments	\$3,113,622	\$ - 0 -	\$3,113,622	\$0

Interest Rate Risk

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy addresses interest rate risk by requiring that the District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations.

Credit Risk

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

Concentration Risk

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

Note 6 - Interfund Balances

No interfund balances exist as of June 30, 2013.

Note 7- Interfund Transfers

No interfund cash transfers were completed for the year ended June 30, 2013.

Note 8 - Risk Management

A. Risk Pool Membership

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

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 - Risk Management (continued)

B. Workers' Compensation

For fiscal year 2013 the District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Hunter Consulting. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school districts in the GRP. Each participant pays its' workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. The 2013 estimated savings to the District was \$17,773. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and 3-HAB Inc. provide administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

Note 9 - Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614)222-5853. Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's portion of the SERS payments for 2013 was \$296,243.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Benefit Pension Plans (continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole in part, by the state or any political subdivision thereof. New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan.

The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 20, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code. A "DB" or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to the STRS plans for the fiscal year ended June 30, 2013 was \$837,048. This amount is withheld directly from our foundation allocation. Payments are withheld based on estimates and Wayne Local Schools is completely paid up as of June 30, 2013.

Note 10- Post-employment Benefits

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

Note 11- Contingencies

A. Grants

The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. Litigation

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 – Long – Term Obligations

The changes in the District’s long-term obligations during fiscal year 2013 were as follows:

Governmental Activities

Description	Amount			Amount	
	Outstanding at 6/30/2012	Additions	Deductions	Outstanding at 6/30/2013	Due In One Year
1996 Bonds	\$ 1,200,000	\$ -	\$ (170,000)	\$ 1,030,000	\$ 210,000
2003 Bonds	\$ 3,400,000	\$ -	\$ (100,000)	\$ 3,300,000	\$ 115,000
Sub-total	\$ 4,600,000	\$ -	\$ (270,000)	\$ 4,330,000	\$ 325,000

**Capital Appreciation
Bonds -2003**

Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983	
Sub-total Cap Bonds	\$ 24,983	\$ -	\$ -	\$ 24,983	
Grand Total	\$ 4,624,983	\$ -	\$ (270,000)	\$ 4,354,983	\$ 325,000

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 are 2.0 mills. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund a total of \$4,255,000 of the 1996 general obligation bonds. The securities and proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of such future debt services were completely paid as of June 30, 2007. The refunded bonds are not included in the District’s outstanding debt since the District has satisfied its’ obligations through the advance refunding.

The 2003 bond issue is comprised of both general obligation current interest bonds with an outstanding face value of \$3,300,000, and capital appreciation bonds with a face value of \$24,983 with a premium of \$830,656. These CAP bonds will accrete to a value of \$2,190,000 at the time of repayment over the fiscal years of 2022-2025. The total payment of \$2,190,000 will be \$710,000 in 2023; \$730,000 in 2024; and \$750,000 in 2025. These amounts are illustrated in the payment schedule below as a total of \$2,190,000 under the Capital Appreciation Bonds section. The interest rates on the 2003 refinanced current interest bonds range from 1.500% to 3.850%. All bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB’S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

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

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 – Long – Term Obligations (continued)

FY YEAR ENDING	CURRENT INTEREST BONDS			CAPITAL APPRECIATION BONDS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	ACCRETION	TOTAL
2014	\$ 325,000	\$ 177,852	\$ 502,852	\$ -	\$ -	\$ -
2015	\$ 350,000	\$ 159,588	\$ 509,588	\$ -	\$ -	\$ -
2016	\$ 390,000	\$ 139,190	\$ 529,190	\$ -	\$ -	\$ -
2017	\$ 440,000	\$ 115,810	\$ 555,810	\$ -	\$ -	\$ -
2018	\$ 485,000	\$ 95,045	\$ 580,045	\$ -	\$ -	\$ -
2019-2023	\$ 2,340,000	\$ 184,655	\$ 2,524,655	\$ 9,968	\$ 700,032	\$ 710,000
2024-2025	\$ -	\$ -	\$ -	\$ 15,015	\$ 1,464,985	\$ 1,480,000
TOTAL	\$ 4,330,000	\$ 872,140	\$ 5,202,140	\$ 24,983	\$ 2,165,017	\$ 2,190,000

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effect of these debt limitations at June 30, 2013 is a total debt margin of \$17,552,937 including available funds of \$659,993 the fiscal year-end balance of the Bond Retirement Fund.

Note 13 - Set-Aside Calculations

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition, maintenance and construction of capital assets, maintenance and improvement. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set-aside amounts for capital purposes:

note: A negative balance means we have exceeded the requirements and that the district DOES NOT have to set aside funds	Capital Improvements
Set-aside Reserve Balance as of June 30, 2012	\$0
Current Year Set-aside Requirement	\$ 257,087
Current Year Offsets/ Disbursements	(557,850)
Totals (A Negative \$ amount indicates we exceeded the requirements)	(300,763)
Amount reserved JUNE 30, 2013---none needed	\$ -

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

Note 14 – Fund Balances

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

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 – Fund Balances (continued)

FUND BALANCES	GENERAL	CAPITAL	OTHER GOVERNMENTAL	TOTAL
RESTRICTED FOR				
FOOD SERVICE OPERATIONS			\$ 259,646	\$ 259,646
DEBT SERVICE PAYMENTS			\$ 659,993	\$ 659,993
BUILDING FUND			\$ 193,559	\$ 193,559
STAFF FUNDED SCHOLARSHIPS			\$ 11,616	\$ 11,616
STUDENT OR DISTRICT MANAGED ACTIVITIES			\$ 248,427	\$ 248,427
GRANTS				\$ -
TOTAL RESTRICTED	\$ -	\$ -	\$ 1,373,241	\$ 1,373,241
COMMITTED TO				
SEVERANCE PAY	\$ 178,870			\$ 178,870
PERMANENT IMPROVEMENT		\$756,758		\$ 756,758
ADULT EDUCATION			\$ 77	\$ 77
GENERAL FUND ENCUMBRANCES	\$ 81,568			\$ 81,568
TOTAL COMMITTED	\$ 260,438	\$756,758	\$ 77	\$ 1,017,273
TOTAL ASSIGNED TO OTHER PURPOSES	\$ 348,103	\$ -	\$ -	\$ 348,103
UNASSIGNED	\$4,781,915	\$ -	\$ -	\$ 4,781,915
TOTAL FUND BALANCE	\$5,390,456	\$756,758	\$ 1,373,318	\$ 7,520,532

Note 15 – Compliance and Accountability

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

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

GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user. In fact the District's legal appropriations and cash rules require us to present those results on a cash basis and not on any GAAP basis that would include accruals or deferrals. The Wayne Local Schools Board of Education has determined that OCBOA is cost effective, provides users a clear picture of the District's results, and is consistent with the legal requirements of other state and tax budget rules. Furthermore this District does calculate and fund the current amount of severance that may come due if all that are eligible would retire.

Wayne Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 – Budgetary Basis of Accounting

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

	<u>Net Change in Fund Balance</u>
Cash Basis	1,483,761
Adjustment for Encumbrances	(81,568)
Funds Budgeted Elsewhere	7,529
Budget Basis	1,409,722

Note 17 – Subsequent Event

The District is currently in the process of refinancing \$3.1 million of existing general obligation bonds. The bond deal should close in late October or the first week of November of this year, 2013. The purpose of the refinancing is to generate savings in the amount of interest we would have to pay over the life of the debt. The fund impacted is the “Debt Service Fund” which is a part of the “Other Governmental Funds” as presented in our financial statements.

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor, Pass-Through Grantor, Program Title/Name	Grant Year	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
<u>Child Nutrition Cluster:</u>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555	0	\$22,143	0	\$22,143
Cash Assistance:						
National School Breakfast Program	2012	10.553	31,020		31,020	
National School Lunch Program	2012	10.555	144,126	0	144,126	0
Total Child Nutrition Cluster			<u>175,146</u>	<u>22,143</u>	<u>175,146</u>	<u>22,143</u>
Total U.S. Department of Agriculture			<u>175,146</u>	<u>22,143</u>	<u>175,146</u>	<u>22,143</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
<u>Special Education Cluster:</u>						
Special Education-Grants to States	2013	84.027	225,916	0	225,916	0
Special Education-Grants to States	2012	84.027	93,583	0	0	0
Special Education-Grants to States-Case Load Study	2012	84.027	25,010	0	25,010	0
Total Special Education-Grants to States			<u>344,509</u>	<u>0</u>	<u>250,926</u>	<u>0</u>
Special Education-Preschool Grants	2013	84.173	2,680	0	2,680	0
Total Special Education-Preschool Grants			<u>2,680</u>	<u>0</u>	<u>2,680</u>	<u>0</u>
Total Special Education Cluster			<u>347,189</u>	<u>0</u>	<u>253,606</u>	<u>0</u>
Title I Grants to Local Educational Agencies	2013	84.010	112,536	0	112,536	0
Improving Teacher Quality State Grants	2013	84.367	29,099	0	29,099	0
ARRA-Race to the Top	2013	84.395A	39,621	0	39,621	0
Formative Assessment Grant	2013	84.395A	26,975	0	18,094	0
			<u>66,596</u>	<u>0</u>	<u>57,715</u>	<u>0</u>
Total U.S. Department of Education			<u>555,420</u>	<u>0</u>	<u>452,956</u>	<u>0</u>
Total Federal Assistance			<u>\$730,566</u>	<u>\$22,143</u>	<u>\$628,102</u>	<u>\$22,143</u>

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Local School District, Warren County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – and amendment of GASB Statement No. 53" Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 65, "Items Previously Reported as Assets and Liabilities." We did not modify our opinion regarding these matters.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Wayne Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2013-001

Noncompliance

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

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

Officials' Response:

Wayne Local Schools 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2013-001

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wayne Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 14, 2011 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

Columbus, Ohio

November 12, 2013

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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
DECEMBER 17, 2013**