



OHIO AUDITOR OF STATE
KEITH FABER



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

Wayne Trace Local School District
Paulding County
4915 U.S. Highway 127
Haviland, Ohio 45851-9738

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School District's internal control. Accordingly, we express no such 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 Trace Local School District, Paulding County, Ohio, as of June 30, 2019, 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 School 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, 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 February 26, 2020, on our consideration of the School 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2020

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

The management's discussion and analysis of the Wayne Trace Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2019, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- The total net position of the School District increased \$492,377 or 4.50% from fiscal year 2018.
- General receipts accounted for \$12,367,368 or 83.14% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,507,656 or 16.86% of total governmental activities cash receipts.
- The School District had \$14,382,647 in cash disbursements related to governmental activities; \$2,507,656 of these cash disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes and unrestricted grants and entitlements) of \$12,367,368 were adequate to provide for these programs.
- The School District's major funds are the General Fund, Permanent Improvement Fund, and Capital Projects Fund. The General Fund had cash receipts of \$13,232,726 in fiscal year 2019. The cash disbursements and other financing uses of the General Fund totaled \$15,046,400 in fiscal year 2019. The General Fund's cash balance decreased \$1,813,674 from fiscal year 2018 to fiscal year 2019.
- The Permanent Improvement Fund had other financing sources of \$1,033,754 in fiscal year 2019. The Permanent Improvement Fund had \$805,455 in cash disbursements in fiscal year 2019. Cash balance of the Permanent Improvement Fund increased \$228,299 from fiscal year 2018 to fiscal year 2019.
- The Capital Projects Fund had other financing sources of \$2,000,000 in fiscal year 2019. The Capital Projects Fund did not have any cash disbursements in fiscal year 2019. Cash balance of the Capital Projects Fund increased \$2,000,000 during fiscal year 2019.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund, Permanent Improvement Fund, and Capital Projects Fund are the only major funds.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did we do financially during 2019?” These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the School District’s net position and changes in the net position on a cash basis. This change in net position is important because it tells the reader that, for the School District as a whole, the cash basis financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs, and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and the statement of activities – cash basis, the governmental activities include the School District’s programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the School District’s Most Significant Funds

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. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s only major governmental funds are the General Fund, Permanent Improvement Fund, and Capital Projects Fund.

Governmental Funds

Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The governmental fund statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs. Since the School District is reporting on the cash basis of accounting, there are no differences in the net position and fund balances or changes in net position and changes in fund balances. Therefore, no reconciliations is necessary between such financial statements.

The School District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the School District's compliance with annually adopted budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The School District's only fiduciary funds are a private-purpose trust fund and an agency fund.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net position – cash basis provides the perspective of the School District as a whole.

The table below provides a summary of the School District's net position at June 30, 2019 and June 30, 2018.

Net Cash Position

	Governmental Activities 2019	Governmental Activities 2018
<u>Assets</u>		
Equity in Pooled Cash and Investments	\$11,429,784	\$10,937,407
<u>Net Position</u>		
Restricted	\$497,626	\$419,874
Unrestricted	10,932,158	10,517,533
Total Net Position	\$11,429,784	\$10,937,407

The total net position of the School District increased \$492,377, which represents a 4.50% increase over fiscal year 2018. This increase is the result of an increase in payment in lieu of taxes, income taxes, grants, and charges for services and sales receipts. There was also a decrease in cash disbursements.

A portion of the School District's net position, \$497,626 represents resources that are subject to external restriction on how they may be used. The balance of government-wide unrestricted net position of \$10,932,158 may be used to meet the government's ongoing obligations to citizens and creditors.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The table below shows the changes in net position for fiscal year 2019 and 2018.

	Governmental Activities 2019	Governmental Activities 2018
Cash Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,254,673	\$1,070,531
Operating Grants and Contributions	<u>1,252,983</u>	<u>1,126,059</u>
Total Program Receipts	<u>2,507,656</u>	<u>2,196,590</u>
General Receipts:		
Property Taxes	3,825,282	4,622,518
Payment in Lieu of Taxes	990,011	
Income Taxes	1,628,692	1,512,085
Unrestricted Grants	5,579,516	5,443,334
Investment Earnings	271,717	149,427
Miscellaneous	72,150	49,864
Sale of Refunding Bonds		2,180,000
Premium on Refunding Bonds		<u>21,749</u>
Total General Receipts	<u>12,367,368</u>	<u>13,978,977</u>
Total Cash Receipts	<u><u>\$14,875,024</u></u>	<u><u>\$16,175,567</u></u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Change in Net Position (Continued)

	<u>Governmental Activities 2019</u>	<u>Governmental Activities 2018</u>
Cash Disbursements:		
Instruction:		
Regular	\$5,513,296	\$5,010,516
Special	1,974,742	1,828,830
Vocational	102,766	99,730
Other	138,869	8,298
Support Services:		
Pupil	511,046	525,686
Instructional Staff	580,510	585,524
Board of Education	81,748	78,820
Administration	1,025,555	938,544
Fiscal	403,050	337,753
Operations and Maintenance	1,623,794	1,309,495
Pupil Transportation	677,425	613,166
Central	347	540
Operation of Non-Instruction Services:		
Other Non-Instructional Services	910	2,565
Food Service	506,362	511,392
Extracurricular	645,756	538,490
Debt Service:		
Principal Retirement	553,643	670,706
Interest and Fiscal Charges	42,828	32,191
Bond Issuance Costs		63,391
Payment to Refunded Bond Escrow Agent		2,583,592
Total Cash Disbursements	<u>14,382,647</u>	<u>15,739,229</u>
Change in Net Position	492,377	436,338
Net Position Beginning of Year	10,937,407	10,501,069
Net Position End of Year	<u>\$11,429,784</u>	<u>\$10,937,407</u>

Governmental Activities

Governmental net position increased by \$492,377 in fiscal year 2019. Total governmental disbursements of \$14,382,647 were offset by program receipts of \$2,507,656 and general receipts of \$12,367,368. Program revenues supported 17.44% of the total governmental expenses.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes, payment in lieu of taxes, and grants and entitlements. These revenue sources represent 80.83% of total governmental receipts. Real estate property is reappraised every six years.

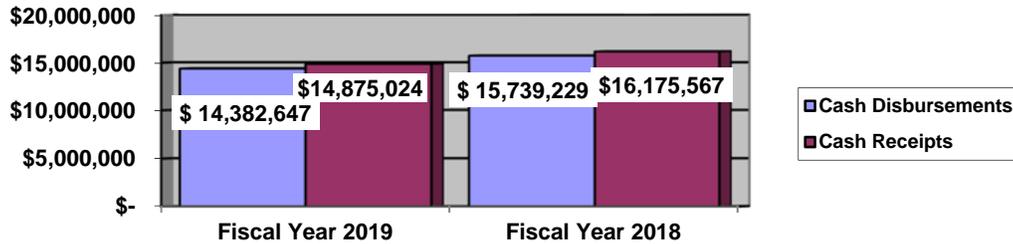
Program receipts of the School District increased \$311,066 or 14.16%. General receipts decreased \$1,611,609 or 11.53%. Disbursements of the School District decreased \$1,356,582 or 8.62%.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The largest cash disbursement of the School District is for instructional programs. Instruction disbursements totaled \$7,729,673 or 53.74% of total governmental disbursements for fiscal year 2019.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

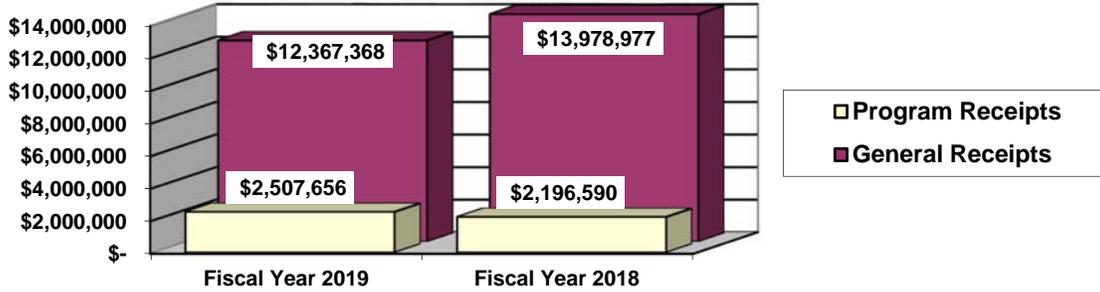
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Cash Disbursements:				
Instruction:				
Regular	\$5,513,296	\$4,789,061	\$5,010,516	\$4,398,559
Special	1,974,742	1,090,898	1,828,830	948,339
Vocational	102,766	86,487	99,730	83,451
Other	138,869	(9,704)	8,298	8,298
Support Services:				
Pupil	511,046	511,046	525,686	525,686
Instructional Staff	580,510	563,123	585,524	570,124
Board of Education	81,748	81,748	78,820	78,820
Administration	1,025,555	1,010,113	938,544	918,591
Fiscal	403,050	398,770	337,753	337,753
Operations and Maintenance	1,623,794	1,617,481	1,309,495	1,308,035
Pupil Transportation	677,425	670,123	613,166	608,749
Central	347	347	540	540
Operation of Non-Instruction Services:				
Other Non-Instructional Services	910	910	2,565	2,565
Food Service Operations	506,362	50,831	511,392	50,473
Extracurricular	645,756	417,286	538,490	352,776
Debt Service:				
Principal Retirement	553,643	553,643	670,706	670,706
Interest and Fiscal Charges	42,828	42,828	32,191	32,191
Bond Issuance Costs			63,391	63,391
Payment to Refunded Bond Escrow Agent			2,583,592	2,583,592
Total	\$14,382,647	\$11,874,991	\$15,739,229	\$13,542,639

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

The dependence upon general receipts for governmental activities is apparent; with 82.56% of cash disbursements supported through taxes and other general cash receipts during 2019.

Governmental Activities - General and Program Receipts



Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$11,429,784, which is \$492,377 above last year's total of \$10,937,407. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and June 30, 2018, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2019</u>	<u>Fund Balance June 30, 2018</u>	<u>Change</u>
Major Funds:			
General	\$7,377,595	\$9,191,269	(\$1,813,674)
Permanent Improvement	1,554,563	1,326,264	228,299
Capital Projects	2,000,000		2,000,000
Other Governmental Funds	<u>497,626</u>	<u>419,874</u>	<u>77,752</u>
Total	<u><u>\$11,429,784</u></u>	<u><u>\$10,937,407</u></u>	<u><u>\$492,377</u></u>

General Fund

The General Fund, one of the School District's major funds, had cash receipts of \$13,232,726 in 2019. The cash disbursements and other financing uses of the General Fund totaled \$15,046,400 in 2019. The General Fund's fund balance decreased \$1,813,674 from 2018 to 2019.

The table that follows assists in illustrating the cash receipts of the General Fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Taxes and Payment in Lieu of Taxes	\$6,192,567	\$5,886,803	5.19 %
Tuition	727,496	592,828	22.72 %
Earnings on Investments	268,004	145,263	84.50 %
Other Local Revenues	140,600	117,992	19.16 %
Intergovernmental - State and Federal	<u>5,904,059</u>	<u>5,792,439</u>	1.93 %
Total	<u>\$ 13,232,726</u>	<u>\$ 12,535,325</u>	5.56 %

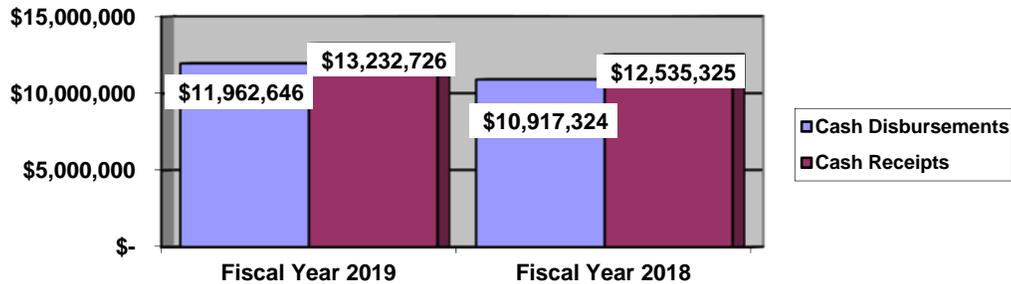
Cash receipts of the General Fund increased \$697,401 or 5.56%. Taxes received increased \$305,764 mainly due to a larger amount of income taxes collected. Earnings on investments increased 84.50% due to increased rates of returns on the School District's investments.

The table that follows assists in illustrating the cash disbursements of the General Fund.

	<u>2019 Amount</u>	<u>2018 Amount</u>	<u>Percentage Change</u>
<u>Cash Disbursements:</u>			
Instruction	\$6,963,604	\$6,325,547	10.09 %
Support Services	4,239,777	3,868,656	9.59 %
Operation of Non-Instruction	910		100.00 %
Extracurricular	379,712	347,415	9.30 %
Debt Service	<u>378,643</u>	<u>375,706</u>	0.78 %
Total	<u>\$11,962,646</u>	<u>\$10,917,324</u>	9.57 %

Cash disbursements of the General Fund increased \$1,045,322 or 9.57%. Instructional disbursements increased \$638,057 or 10.09%. This increase can mainly be attributed to an increase in elementary instructional disbursements.

General Fund - Total Cash Receipts vs. Total Cash Disbursements



Permanent Improvement Fund

The Permanent Improvement Fund had other financing sources of \$1,033,754 during fiscal year 2019, and the fund had \$805,455 of cash disbursements. The Permanent Improvement Fund's cash balance increased \$228,299 or 17.21% during fiscal year 2019.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Capital Projects Fund

The Capital Projects Fund had other financing sources of \$2,000,000 during fiscal year 2019. The Capital Projects Fund's cash balance increased \$2,000,000 during fiscal year 2019.

Budgeting Highlights – General Fund

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

For the General Fund, final budgeted receipts and other financing sources of \$13,232,434 were increased by \$466,985 from the original budget receipts of \$12,765,449. Actual receipts and other financing sources of \$13,199,117 were less than final budgeted receipts and other financing sources by \$33,317. The final budgeted disbursements and other financing uses of \$15,204,964 were \$2,465,002 greater than the original budgeted disbursements and other financing uses of \$12,739,962. The actual budgeted disbursements and other financing uses of \$15,041,589 were \$163,375 less than the final budget.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District did not make any facilities acquisition and construction cash disbursements during fiscal year 2019.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2019 and 2018:

	<u>Governmental Activities 2019</u>	<u>Governmental Activities 2018</u>
2018 refunding bonds		
Current interest bonds	\$2,005,000	\$2,180,000
Judgment loan payable	<u>892,629</u>	<u>1,271,272</u>
Total	<u><u>\$2,897,629</u></u>	<u><u>\$3,451,272</u></u>

School District Mission Statement

The Mission of the Wayne Trace Local School District is to prioritize the philosophy of One District-One-Mission-One Vision. Wayne Trace is committed to educational excellence that will help all students achieve at their highest level and to graduate with the knowledge, skills, and attitudes to become thinking, productive citizens in a changing global society, this is accomplished through a system which supports community values and integrates community, technology, and educational resources delivered in a safe environment by a caring staff.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED
(Continued)**

Economic Factors

The School District, like all other taxing entities in the State of Ohio, faces the uncertainty of the economy. The School District's operating receipts are composed primarily of property taxes, local income tax, and state foundation funding. With a weak economy, these receipts can fluctuate in great amounts from year to year.

As for disbursements, the School District faces continued increases in the cost of health care for its employees. The School District also faces an ever increasing number of children requiring special education and services. Charges to provide these services increase every year.

Current Issues

As the preceding information shows, the School District relies heavily on its local taxpayers. Wayne Trace has been blessed with strong voter support as seen with the passage of a .75% income tax renewal in 2015 and a .50% continuing income tax passed in 2004.

Property tax collections have been stable for the School District in fiscal years 2018 and 2019. The School District however does anticipate a slight decline in property tax collections in fiscal year 2020 due to the change in valuation of Agriculture. The School District has also been receiving revenue from the Wind Turbine farms that are located throughout the School District. These revenue streams have helped to sustain the School District when State funding has not increased. State funding is reliant on student enrollment and it appears at this time the enrollment for fiscal year 2020 will be comparable to fiscal year 2019.

Expenditures for the School District have not decreased. The Board of Education believes strongly in maintaining all facilities, so maintenance cost will continue to be a priority as our buildings age. Cost continue to rise for services that are required for our special needs population. Medical benefits for employees is continuing to rise.

As the School District looks to the future, the Board of Education is committed to sound financial management for the benefit of the students, parents and community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's office at the Wayne Trace Local School District, 4915 U.S. Highway 127, Haviland, Ohio 45851-9738.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2019*

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u><u>\$11,429,784</u></u>
Net Position:	
Restricted for:	
Classroom Facilities Maintenance	\$157,479
Debt Service	199,971
Locally Funded Programs	3,000
Federally Funded Programs	17,527
Student Activities	95,902
Other Purposes	23,747
Unrestricted	<u>10,932,158</u>
<i>Total Net Position</i>	<u><u>\$11,429,784</u></u>

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

	Cash	Program Receipts		Net (Disbursement) Receipts and Changes in Net Position
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Current:				
Instruction:				
Regular	\$5,513,296	\$688,133	\$36,102	(\$4,789,061)
Special	1,974,742	72,494	811,350	(1,090,898)
Vocational	102,766		16,279	(86,487)
Other	138,869		148,573	9,704
Support Services:				
Pupil	511,046			(511,046)
Instructional Staff	580,510		17,387	(563,123)
Board of Education	81,748			(81,748)
Administration	1,025,555	15,442		(1,010,113)
Fiscal	403,050		4,280	(398,770)
Operations and Maintenance	1,623,794	490	5,823	(1,617,481)
Pupil Transportation	677,425		7,302	(670,123)
Central	347			(347)
Operation of Non-Instructional Services:				
Other Non-Instructional Services	910			(910)
Food Service Operations	506,362	249,644	205,887	(50,831)
Extracurricular Activities	645,756	228,470		(417,286)
Debt Service:				
Principal Retirement	553,643			(553,643)
Interest and Fiscal Charges	42,828			(42,828)
Total Governmental Activities	\$14,382,647	\$1,254,673	\$1,252,983	(11,874,991)
 General Receipts:				
Property Taxes:				
General Purposes				3,573,864
Debt Service				205,016
Classroom Facilities Maintenance				46,402
Payment in Lieu of Taxes				990,011
Income Taxes Levied for:				
General Purposes				1,628,692
Grants and Entitlements not Restricted to Specific Programs				5,579,516
Investment Earnings				271,717
Miscellaneous				72,150
				<u>12,367,368</u>
				Change in Net Position 492,377
				<u>Net Position Beginning of Year 10,937,407</u>
				<u>Net Position End of Year \$11,429,784</u>

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2019*

	General Fund	Permanent Improvement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$7,377,595	\$1,554,563	\$2,000,000	\$497,626	\$11,429,784
Fund Balances:					
Restricted:					
Debt Service				\$199,971	\$199,971
Classroom Facilities Maintenance				157,479	157,479
Food Service Operations				23,747	23,747
Other Purposes				20,527	20,527
Extracurricular Activities				95,902	95,902
Committed:					
Capital Improvements			\$2,000,000		2,000,000
Assigned:					
Student Instruction	\$9,039				9,039
Student and Staff Support	43,839				43,839
Capital Improvements		\$1,554,563			1,554,563
Unassigned	7,324,717				7,324,717
Total Fund Balances	\$7,377,595	\$1,554,563	\$2,000,000	\$497,626	\$11,429,784

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

	General Fund	Permanent Improvement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$3,573,864			\$251,418	\$3,825,282
Income Taxes	1,628,692				1,628,692
Payment in Lieu of Taxes	990,011				990,011
Tuition	727,496				727,496
Earnings on Investments	268,004			4,254	272,258
Charges for Services				249,644	249,644
Extracurricular	34,829			209,083	243,912
Classroom Materials and Fees	32,891				32,891
Rental Income	490				490
Contributions and Donations	737			3,000	3,737
Contract Services	240				240
Other Local Revenues	71,413				71,413
Intergovernmental - Intermediate				10,000	10,000
Intergovernmental - State	5,722,820			143,076	5,865,896
Intergovernmental - Federal	181,239			771,823	953,062
<i>Total Receipts</i>	<u>13,232,726</u>			<u>1,642,298</u>	<u>14,875,024</u>
Disbursements:					
Current:					
Instruction:					
Regular	5,335,449	\$144,745		33,102	5,513,296
Special	1,519,642	1,137		453,963	1,974,742
Vocational	102,766				102,766
Other	5,747			133,122	138,869
Support Services:					
Pupil	510,461	585			511,046
Instructional Staff	561,822	2,548		16,140	580,510
Board of Education	81,748				81,748
Administration	1,025,005	550			1,025,555
Fiscal	388,571			14,479	403,050
Operations and Maintenance	1,100,144	472,875		50,775	1,623,794
Pupil Transportation	571,679	99,203		6,543	677,425
Central	347				347
Operation of Non-Instructional Services:					
Other Operation of Non-Instructional	910				910
Food Service Operations				506,362	506,362
Extracurricular Activities	379,712	83,812		182,232	645,756
Debt Service:					
Principal Retirement				175,000	175,000
Interest and Fiscal Charges				42,828	42,828
Liability Judgements	378,643				378,643
<i>Total Disbursements</i>	<u>11,962,646</u>	<u>805,455</u>		<u>1,614,546</u>	<u>14,382,647</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,270,080</u>	<u>(805,455)</u>		<u>27,752</u>	<u>492,377</u>
Other Financing Sources (Uses):					
Transfers In		1,033,754	\$2,000,000	50,000	3,083,754
Transfers Out	(3,083,754)				(3,083,754)
<i>Total Other Financing Sources (Uses)</i>	<u>(3,083,754)</u>	<u>1,033,754</u>	<u>2,000,000</u>	<u>50,000</u>	
<i>Net Change in Fund Balances</i>	(1,813,674)	228,299	2,000,000	77,752	492,377
<i>Fund Balances Beginning of Year</i>	<u>9,191,269</u>	<u>1,326,264</u>		<u>419,874</u>	<u>10,937,407</u>
<i>Fund Balances End of Year</i>	<u>\$7,377,595</u>	<u>\$1,554,563</u>	<u>\$2,000,000</u>	<u>\$497,626</u>	<u>\$11,429,784</u>

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts:				
Property Taxes	\$4,402,352	\$4,563,876	\$3,573,864	(\$990,012)
Income Taxes	1,571,050	1,628,692	1,628,692	
Payment in Lieu of Taxes			990,011	990,011
Tuition	698,253	724,000	727,496	3,496
Earnings on Investments	220,515	230,000	268,004	38,004
Classroom Materials and Fees	31,836	33,000	32,891	(109)
Rental Income	583	600	490	(110)
Contract Services			240	240
Other Local Revenues	237,181	246,036	68,976	(177,060)
Intergovernmental - State	5,513,179	5,715,730	5,722,820	7,090
Intergovernmental - Federal			181,239	181,239
<i>Total Receipts</i>	<u>12,674,949</u>	<u>13,141,934</u>	<u>13,194,723</u>	<u>52,789</u>
Disbursements:				
Current:				
Instruction:				
Regular	7,410,448	5,407,230	5,346,445	60,785
Special	347,729	1,519,642	1,519,642	
Vocational	23,165	102,766	102,766	
Other	3,433	5,747	5,747	
Support Services:				
Pupil	115,068	510,461	510,461	
Instructional Staff	128,338	562,322	562,322	
Board of Education	42,803	85,928	84,199	1,729
Administration	231,042	1,010,666	1,010,666	
Fiscal	309,666	388,571	388,571	
Operations and Maintenance	314,475	1,159,231	1,113,727	45,504
Pupil Transportation	128,868	571,679	571,679	
Central	78	347	347	
Other Operation on Non-Instructional Services	205	910	910	
Extracurricular Activities	81,536	361,710	361,710	
Debt Service:				
Liability Judgements	469,354	384,000	378,643	5,357
<i>Total Disbursements</i>	<u>9,606,208</u>	<u>12,071,210</u>	<u>11,957,835</u>	<u>113,375</u>
<i>Excess of Receipts Over Disbursements</i>	<u>3,068,741</u>	<u>1,070,724</u>	<u>1,236,888</u>	<u>166,164</u>
Other Financing Sources (Uses):				
Refund of Prior Year's Expenditures	39,000	39,000	1,955	(37,045)
Transfers Out	(3,083,754)	(3,083,754)	(3,083,754)	
Advances In	50,000	50,000		(50,000)
Advances Out	(50,000)	(50,000)		50,000
Sale of Capital Assets	1,500	1,500	2,439	939
<i>Total Other Financing Sources (Uses)</i>	<u>(3,043,254)</u>	<u>(3,043,254)</u>	<u>(3,079,360)</u>	<u>(36,106)</u>
<i>Net Change in Fund Balance</i>	25,487	(1,972,530)	(1,842,472)	130,058
<i>Fund Balance Beginning of Year</i>	9,144,374	9,144,374	9,144,374	
Prior Year Encumbrances Appropriated	22,815	22,815	22,815	
<i>Fund Balance End of Year</i>	<u>\$9,192,676</u>	<u>\$7,194,659</u>	<u>\$7,324,717</u>	<u>\$130,058</u>

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2019*

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$41,833</u>	<u>\$48,877</u>
Liabilities:		
Undistributed Monies		<u>\$48,877</u>
Net Position:		
Scholarships	<u>\$41,833</u>	

See Accompanying Notes to the Basic Financial Statements

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019*

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$492
Gifts and Contributions	<u>6,038</u>
<i>Total Additions</i>	<u>6,530</u>
Deductions:	
Scholarships Awarded	<u>5,022</u>
<i>Change in Net Position</i>	1,508
<i>Net Position Beginning of Year</i>	<u>40,325</u>
<i>Net Position End of Year</i>	<u><u>\$41,833</u></u>

See Accompanying Notes to the Basic Financial Statements

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Reporting Entity

Wayne Trace Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District is located in Paulding County and was established in 1971. The School District serves an area of approximately 178 square miles consisting of the Villages of Payne and Grover Hill, and portions of Benton, Harrison, Blue Creek, Paulding, Latty, and Washington Townships. The School District is staffed by 51 non-certified employees and 74 certified full-time teaching personnel who provide services to 995 students and other community members. The School District currently operates 2 elementary schools and 1 middle/high school.

A reporting entity is comprised of the primary government and other organizations that are included to insure the financial statements are not misleading.

Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wayne Trace Local School District, this includes general operations, food service, and student related activities of the School District.

Jointly Governed Organizations and Group Purchasing Pools

The School District participates in four jointly governed organizations and three group purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, Northwest Ohio Special Education Regional Resource Center, State Support Team Region 1, Vantage Career Center, Schools of Ohio Risk Sharing Authority, Southwestern Ohio Education Purchasing Council, and the Ohio School Comp Group Retrospective Rating Program. These organizations are presented in Notes 15 and 16 of the basic financial statements.

The financial statements exclude these entities which perform activities within the School District's boundaries for the benefit of its residents because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

The School District's management believes these financial statements present all activities for which the School District is financially accountable.

Note 2 – Summary of Significant Accounting Policies

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Government-Wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balance, of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support 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 governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are divided into three categories, governmental, proprietary, and fiduciary. The School District has no proprietary funds.

Governmental Funds The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the School District's major funds:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent Improvement Fund The Permanent Improvement Fund is used to account for all transactions related to the acquiring, constructing, or improving of the School District's permanent improvements.

Capital Projects The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The other governmental funds of the School District account for and report grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund and object level for the General Fund and at the fund level for all other funds. Budgetary allocations at the function and object level within all other funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments".

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2019, the School District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreements, and U.S. Government mutual funds. Investments are reported at cost basis.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 were \$268,004 which included \$67,800 assigned from other School District funds.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The School District reported no restricted assets.

Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception.

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Net Position

Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. All other net position that do not meet the definition of restricted are reported as unrestricted net position.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District's Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Internal Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Note 3 – Accountability and Compliance

Compliance

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

Changes in Accounting Principles

For fiscal year 2019, the School District has implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*" and GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the School District.

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For the Fiscal Year Ended June 30, 2019
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Note 4 – 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 and Actual – Budgetary Basis 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 the cash basis are as follows:

1. Outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).
2. As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate Special Revenue Funds (Public School Support Funds) are considered part of the General Fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Cash Balance

	General Fund
Cash basis	(\$1,813,674)
Funds budgeted elsewhere	(3,225)
Adjustment for encumbrances	(25,573)
Budget basis	(\$1,842,472)

Note 5 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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Interim monies held by the School District can 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if 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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

At June 30, 2019, the carrying amount of all School District deposits was \$5,275,488. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2019, all of the School District's bank balance of \$5,550,208 was covered by the Federal Deposit Insurance Corporation (FDIC).

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For the Fiscal Year Ended June 30, 2019
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Investments

As of June 30, 2019, the School District had the following investments:

Investment type	Balance at Carrying Value	Balance at Fair Value	Investment Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CD's	\$5,787,000	\$5,802,954	\$1,143,911	\$987,343	\$285,860	\$1,351,851	\$2,033,989
Repurchase Agreement	445,016	445,016	445,016				
U.S. Government Mutual Fund	12,990	12,990	12,990				
Total	<u>\$6,245,006</u>	<u>\$6,260,960</u>	<u>\$1,601,917</u>	<u>\$987,343</u>	<u>\$285,860</u>	<u>\$1,351,851</u>	<u>\$2,033,989</u>

The weighted average maturity of investments is 1.40 years.

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk The School District's investments in federal agency securities and the federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The negotiable CD's and U.S. Government mutual fund were not rated. The School District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. Of the School District's investment in a repurchase agreement, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the School District. Ohio law requires the fair value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the School District at June 30, 2019:

Investment type	Carrying Value	Fair Value	% to Total
Negotiable CD's	\$5,787,000	\$5,802,954	92.68
Repurchase Agreement	445,016	445,016	7.11
U.S. Government Mutual Fund	12,990	12,990	0.21
Total	<u>\$6,245,006</u>	<u>\$6,260,960</u>	<u>100.00</u>

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(Continued)

Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and Investments per Note</u>	
Carrying amount of deposits	\$5,275,488
Investments	<u>6,245,006</u>
Total	<u><u>\$11,520,494</u></u>
 <u>Cash and Investments per Statement of Net Position</u>	
Governmental Activities	\$11,429,784
Private-Purpose Trust Funds	41,833
Agency Funds	<u>48,877</u>
Total	<u><u>\$11,520,494</u></u>

Note 6 – Taxes

Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Paulding, Van Wert, and Putnam Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date of the tax bills sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

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	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$170,132,270	89.86	\$171,787,830	89.69
Public utility personal	19,189,310	10.14	19,757,660	10.31
Total	\$189,321,580	100.00	\$191,545,490	100.00
Tax rate per \$1,000 of assessed valuation for:				
General	\$27.70		\$27.70	
Debt service	1.20		1.20	
Maintenance	0.50		0.50	

Income Taxes

The School District levies a tax of 1.25 percent for general operations on the income of residents and of estates. Of the overall 1.25 percent taxes, .75 percent is a five-year renewable tax, last renewed in May 2015; .5 percent of the income tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts is credited to the General Fund and totaled \$1,628,692 for fiscal year 2019.

Note 7 – Payment in Lieu of Taxes

According to State law and Senate Bill 232, qualifying energy projects are exempt from real and personal property taxation, instead requiring project owners to make payments in lieu of taxes based on generating capacity and other factors. The effect is to tax personal property used in a renewable or advanced energy project favorably for developers. The Ohio Department of Development certifies qualifying energy projects. Certified project owners make annual service payments in lieu of taxes to the county in which the exempted property is located. These payment in lieu of tax monies are then distributed in the same manner as the tangible personal property tax to localities and school districts. Payment in lieu of taxes, received by the School District, for such qualifying energy projects in fiscal year 2019 were \$990,011.

Note 8 – Interfund Transfers

During fiscal year 2019, the following transfers were made:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Permanent Improvement Fund	\$1,033,754
Capital Projects Fund	2,000,000
Lunchroom Fund	50,000
Total	\$3,083,754

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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Note 9 – Risk Management

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2019, the School District contracted with Schools of Ohio Risk Sharing Authority for property, fleet, violence and liability insurance in the amounts as follows:

Bodily Injury and Property Damage	\$ 15,000,000
Personal Injury/Advertising Liability	15,000,000
Products/Completed Operations Aggregate Limit	15,000,000
General Annual Aggregate	17,000,000
Fire Legal Liability	500,000
Medical Payments Any One Person	10,000/25,000
Errors or Omissions	1,000,000
Medical Payments	10,000/25,000
Uninsured Motorist	1,000,000
Automobile Physical Damage (5 year or new vehicles)	Replacement Cost
Property per Occurrence Limit	
Employee Dishonesty/Faithful Performance of Duty	1,000,000
Forgery or Alteration	1,000,000
Computer Fraud	1,000,000
Money and Securities In and Out	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since fiscal year 2018.

Southwestern Ohio Education Purchasing Council

The School District participates in the Southwestern Ohio Education Purchasing Council (EPC). Southwestern Ohio Education Purchasing is a council of governments with over 40 years of shared services experience, pooling the purchasing power of 180 Ohio School Districts. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health and dental insurance. The EPC self-insures up to a maximum amount per individual and purchases excess coverage through Anthem Insurance.

Ohio School Comp Group Retrospective Rating Program

The School District participates in the Ohio School Comp Retrospective Group Rating Program (GRP) for workers' compensation. Membership is obtained through the Ohio School Boards Association and Ohio Association of School Business Officials. Members pay individual premiums, but have the opportunity to receive retrospective premium adjustments. The firm of Comp. Management provides administrative, cost control and actuarial services to the GRP.

Note 10 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

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Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Plan Description – School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$226,643 for fiscal year 2019.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system.

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Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$631,937 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04749240%	0.03671051%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.05007750%</u>	<u>0.03669153%</u>	
Change in Proportionate Share	<u>0.00258510%</u>	<u>-0.00001898%</u>	
Proportionate Share of the Net Pension Liability	\$2,868,031	\$8,067,644	\$10,935,675

Actuarial Assumptions – SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.

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Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategy	10.00	3.00
 Total	 100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$4,039,838	\$2,868,031	\$1,885,549

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Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

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Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$11,781,731	\$8,067,644	\$4,924,172

Note 11 – Defined Benefit OPEB Plans

See Note 10 for a description of the net OPEB liability.

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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For the Fiscal Year Ended June 30, 2019
(Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$25,369.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$33,763 for fiscal year 2019.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

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For the Fiscal Year Ended June 30, 2019
(Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04788660%	0.03671051%	
Proportion of the Net OPEB Liability/Asset			
Current Measurement Date	<u>0.05038660%</u>	<u>0.03669153%</u>	
Change in Proportionate Share	<u>0.00250000%</u>	<u>-0.00001898%</u>	
Proportionate Share of the Net OPEB Liability	\$1,397,860		\$1,397,860
Proportionate Share of the Net OPEB Asset		\$589,595	\$589,595

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

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(Continued)

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of inflation expenses, including inflation
 Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
 Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
 Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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For the Fiscal Year Ended June 30, 2019
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategy	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
School District's proportionate share of the net OPEB liability	\$1,696,194	\$1,397,860	\$1,161,636
	<u>1% Decrease (6.5 % decreasing to 3.75 %)</u>	<u>Current Trend Rate (7.5 % decreasing to 4.75 %)</u>	<u>1% Increase (8.5 % decreasing to 5.75 %)</u>
School District's proportionate share of the net OPEB liability	\$1,127,817	\$1,397,860	\$1,755,446

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For the Fiscal Year Ended June 30, 2019
(Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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For the Fiscal Year Ended June 30, 2019
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should general a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB asset was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	\$505,338	\$589,595	\$660,409
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	\$656,412	\$589,595	\$521,738

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For the Fiscal Year Ended June 30, 2019
(Continued)

Note 12 – Debt

Debt obligations of the School District at June 30, 2019 consisted of the following:

	<u>Balance at June 30, 2018</u>	<u>Deletions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due in One Year</u>
<u>Governmental Activities</u>				
2018 Refunding Bonds				
Current interest bonds 2.00-2.25%	\$2,180,000	(\$175,000)	\$2,005,000	\$185,000
Judgment Loan Payable	1,271,272	(378,643)	892,629	339,901
Total Long-Term Obligations	<u>\$3,451,272</u>	<u>(\$553,643)</u>	<u>\$2,897,629</u>	<u>\$524,901</u>

Long Term Obligations

Series 2018 Refunding Bonds – During fiscal year 2018, the School District issued \$2,180,000 in general obligation bonds to refund \$2,545,000 of the Series 2010 General Obligation Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased.

The issue is comprised of current interest bonds, par value \$2,180,000. The interest rates on the current interest bonds range from 2.00% - 2.25%.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2028.

The net carrying amount of the old debt exceeded the reacquisition price by \$2,133,592. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2028. This advance refunding was undertaken to reduce the combined total debt service payments by \$546,918 and resulted in an economic gain of \$112,913.

The following is a summary of the future debt service requirements to maturity for the series 2018 refunding bonds:

Fiscal Year Ending <u>June 30,</u>	<u>2018 Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$185,000	\$39,228	\$224,228
2021	185,000	35,528	220,528
2022	190,000	31,778	221,778
2023	195,000	27,928	222,928
2024	200,000	23,978	223,978
2025 - 2029	1,050,000	57,363	1,107,363
Total	<u>\$2,005,000</u>	<u>\$215,803</u>	<u>\$2,220,803</u>

Judgment Loan Payable – On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision

Wayne Trace Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

against the School District in a lawsuit, which was filed as the result of an accident involving a School District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the School District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2019, are as follows:

Fiscal Year	
<u>Ending June 30,</u>	<u>Judgment Loan</u>
2020	\$339,901
2021	341,600
2022	<u>211,128</u>
Total	<u><u>\$892,629</u></u>

Payments on the above obligations are deducted from the School District's General Fund monthly Foundation payments by the State. The monthly deductions are equal to one-twelfth of two-thousandths or 2 mills of the School District's total taxable value reported for the lesser of 25 years or a period equal to the number of years required to pay off the loan, commencing July of 1998.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$15,434,065 (including available funds of \$199,971) and an unvoted debt margin of \$191,545.

Leases

The School District entered into an operating lease with ScholarBuys, LLC. for Chromebooks on June 12, 2019. The School District will rent 30 Chromebooks from ScholarBuys, LLC. over the course of three years. The future minimum lease payments as of June 30, 2019 are as follows:

Year Ending	Minimum
<u>June 30,</u>	<u>Lease Payments</u>
2020	\$3,802
2021	3,802
2022	<u>3,803</u>
Total minimum lease payments	<u><u>\$11,407</u></u>

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Paulding County
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For the Fiscal Year Ended June 30, 2019
(Continued)

Note 13 – Commitments

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-end Encumbrances</u>
General Fund	\$25,573
Permanent Improvement	490,300
Other Governmental	<u>17,527</u>
Total	<u><u>\$533,400</u></u>

Note 14 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

There are currently no matters in litigation with the School District as defendant.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report FTE adjustment No. 2 was made on December 13, 2019 and resulted in the School District owing \$15,072 to ODE. This amount is not recorded in the financial statements.

Note 15 – Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the cities of St. Marys and Wapakoneta. The 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 educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member entities within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as director, at 4277 East Road, Elida, Ohio 45807.

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Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (“SERRC”) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

State Support Team Region 1

The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams and Wood Counties. The fiscal agent for the SSTR1 is the Educational Service Center of Lake Erie West. The SSTR1 Executive Director and Single Point of Contact is Lynn McKahan. Contact information is available at www.sstr1.org.

Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Vantage Career Center is operated under the direction of a Board consisting of one representative from each of the participating school districts’ elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Laura Peters, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

Note 16 – Group Purchasing Pools

Southwestern Ohio Education Purchasing Council

The School District participates in the Southwestern Ohio Education Purchasing Council, a Council of Governments, defined as a purchasing pool (the Program). The Program has an eleven member Executive Board. All members of the Executive Board are elected from Superintendents, Administrators, Business Managers and Treasurers of active members of the Program. The Program is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants. The School District also uses the bus bidding services and educational supply bidding services of the Program. The health program that is offered is with Anthem and the dental program offered is with Delta Dental and the Life Plan is with UNUM Life Insurance. For more information please contact Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Schools of Ohio Risk Sharing Authority

The School District participates as a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a non-profit, member owned consortium, providing property, bus fleet and educator liability insurance for public schools in Ohio. SORSA is governed by public school administrators and managed by insurance professionals, and serves 106 members across Ohio.

Wayne Trace Local School District
Paulding County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High Street, Columbus, Ohio 43235. See Note 9 for a listing of the coverage provided to the School District for fiscal year 2019.

Ohio School Comp Group Retrospective Rating Program

For fiscal year 2019, the School District was enrolled in the Ohio School Comp Group Retrospective Rating Program for workers' compensation (GRP). Membership into the GRP was obtained through the Ohio School Boards Association and Ohio Association of School Business Officials. The GRP rewards participants that are able to keep their claim costs below a predetermined amount. The GRP is administered by third party administrator, Comp. Management. Members must re-apply for membership into the GRP each year. Contact information is available at www.ohioschoolboards.org/ohio-schoolcomp.

Note 17 – Set-Aside Requirements

The School District is required by State statute to annually set-aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Current year set-aside requirement	\$170,302
Current year offsets	<u>(1,033,754)</u>
Total	<u><u>(\$863,452)</u></u>

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR Pass through Grantor Program / Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555		\$169,761
Non-Cash Assistance (Food Distribution)	10.555		33,121
Total National School Lunch Program			<u>202,882</u>
School Breakfast Program	10.553		32,710
Total Child Nutrition Cluster			<u>235,592</u>
Total U.S. Department of Agriculture			<u>235,592</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		130,960
Supporting Effective Instruction State Grants	84.367		24,969
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027		229,358
Special Education Preschool Grants	84.173		15,532
Total Special Education Cluster			<u>244,890</u>
Twenty-First Century Community Learning Centers	84.287	\$42,808	182,473
Student Support and Academic Enrichment Program	84.424		11,340
Total U.S. Department of Education		<u>42,808</u>	<u>594,632</u>
Total Expenditures of Federal Awards		<u><u>\$42,808</u></u>	<u><u>\$830,224</u></u>

The accompanying notes are an integral part of this schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wayne Trace Local School District, Paulding County, Ohio (the School District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The School District passes certain federal awards received from the Ohio Department of Education to other governments or not-for-profit agencies (subrecipients). As Note B describes, the School District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the School District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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



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

Wayne Trace Local School District
Paulding County
4915 U.S. Highway 127
Haviland, Ohio 45851-9738

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 26, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School 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 School 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 School 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2020



One Government Center, Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Wayne Trace Local School District
Paulding County
4915 U.S. Highway 127
Haviland, Ohio 45851-9738

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Wayne Trace Local School District, Paulding County, Ohio's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Wayne Trace Local School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 School 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 each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Wayne Trace Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The School 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 School 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 the Uniform Guidance, 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 School 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 26, 2020

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(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 weaknesses in internal control 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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code § 117.38(A) 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(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the School District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

As a cost savings measure, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response:

See Corrective Action Plan

FINDING NUMBER 2019-002

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

General Fund payment in lieu of taxes revenue was incorrectly classified as property taxes in the amount of \$990,011 on the Statement of Activities – Cash Basis, Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis, and the Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.

This error was the result of inadequate policies and procedures in reviewing the financial statements. Failure to complete accurate financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct this error. An additional error was noted in a smaller relative amount.

To help ensure the School District's financial statements and notes to the financial statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Treasurer and the Board, to identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None.

4. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2019-003

Finding For Recovery – Public Monies Collected But Unaccounted For

Brenda Combs, former cashier at Wayne Trace Local School District, was responsible for recording and depositing monies received from students for meals and food items. During fiscal year 2019, the School District identified a shortage where lunchroom deposits were \$1,471 less than the monies posted to student accounts. In addition, the School District identified \$574 that was unaccounted for in the deposits based on recorded collections per the lunchroom accounting system, Meals Plus "Transaction History by Date" reports. These discrepancies were a result of non-cash adjustments posted to the Meals Plus system by Brenda Combs, and resulted in a total discrepancy of \$2,045 between monies collected and monies deposited.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money collected but not accounted for is hereby issued against Brenda Combs, former cashier, in the amount of \$2,045, and in favor of Wayne Trace Local School District's Food Service Fund.

The School District should implement policies and procedure to review and monitor food service receipts, deposits and non-cash adjustments.

Officials' Response

See Corrective Action Plan



Wayne Trace Local
School District
Lori Davis, Treasurer
4915 US Route 127
Haviland, OH 45851



Phone: 419-263-2415, 399-4113 or 622-6300
Fax: 419-263-2377

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	This finding was first reported in 2004. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2019-001 in this report.	At this time, the Wayne Trace Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement.



**Wayne Trace Local
School District
Lori Davis, Treasurer
4915 US Route 127
Haviland, OH 45851**



Phone: 419-263-2415, 399-4113 or 622-6300
Fax: 419-263-2377

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2019**

- Finding Number:** 2019-001
Planned Corrective Action: At this time, the Wayne Trace Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement. The District is aware that it may be subject to a fine for not complying with the requirement of filing the District's financial reports based on GAAP.
- Anticipated Completion Date:** N/A
Responsible Contact Person: Lori Davis, Treasurer
- Finding Number:** 2019-002
Planned Corrective Action: The Treasurer acknowledges the reclassifying of \$990,011 of wind turbine monies to payment in lieu of taxes. Fiscal year 2020 will be corrected to classify the monies as payment in lieu of taxes. Even though there was a classifying error within the General Fund, the monies were still transparent and included in total revenue for the General Fund. The Board of Education was and is still able to make decisions based on total revenue estimated and collected.
- Anticipated Completion Date:** June 30, 2020
Responsible Contact Person: Lori Davis, Treasurer
- Finding Number:** 2019-003
Planned Corrective Action: The Wayne Trace Local School District discovered the discrepancy in lunchroom activity in September 2019. Immediately upon the discovery, Wayne Trace Local School District did an internal investigation of the lunchroom. The information gathered from the internal investigation was then turned over to the Paulding County Sheriff's Department, Officer Brion Hannenkratt for further investigation. The Wayne Trace Local School District also contacted the Schools of Ohio Risk Sharing Authority (Wayne Trace's insurance company) to inform them of the investigation. The investigation by the Paulding County Sheriff's office is still an ongoing investigation at this time.
- Anticipated Completion Date:** N/A
Responsible Contact Person: Lori Davis, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING 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
MARCH 19, 2020**