

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Wayne Local School District, Warren County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 8, 2020

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

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Wayne Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Wayne Local 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 for the purpose of expressing an opinion on the effectiveness of the Wayne Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of June 30, 2020, and the respective changes in cash basis financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with the cash basis of accounting described in Note 2.

Basis of Accounting

Ohio Administrative Code § 117-2-03(B) requires the Wayne Local 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. Our opinions are not modified with respect to this matter.

Emphasis of Matters

As described in Note 3 to the financial statements, in 2020, the Wayne Local School District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. As described in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Wayne Local School District. Our opinions are not modified with respect to these matters.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Wayne Local School District's basic financial statements. The *management's discussion and analysis*, listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, on our consideration of the Wayne Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wayne Local School District's 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 Wayne Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 8, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

As Management of Wayne Local School District (the "District"), we offer readers of the District financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the financial statements to enhance their understanding of the District's financial results.

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

- The Net position of governmental activities decreased by \$6,070,819. Excluding the impact of construction, the increase was \$3,093,349. At the close of the 2020 fiscal year, the District's governmental funds reported a cash fund balance of \$37,523,382. Of this amount \$15,638,663 are unassigned funds that are available for spending to support operations at Management's discretion.

Overview of the Financial Statements

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

Government-wide Financial Statements: These financial statements are designed to provide readers with a broad overview of the District's finances.

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 17 to 45 of this report.

Government-Wide Financial Analysis

As noted earlier net position cash basis serve over time as a useful indicator of a school district's financial position. The District has chosen to report financials on the *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Statement No. 34. This format requires a comparative analysis of Government-wide data in the Management Discussion and Analysis section. The net position at June 30, 2019 has been restated as described in Note 3.A.

**Table 1
Net Position**

	2020	Restated 2019
Cash	\$ 37,523,382	\$ 43,594,201
Total Assets	\$ 37,523,382	\$ 43,594,201
Net Position		
Restricted for:		
Debt Service	804,777	884,393
Capital / PI Related	18,002,639	25,779,277
Severance Payments	-	130,749
Cafeteria	57,158	68,685
Activity Funds	267,015	232,910
Other Funds	471,534	976,685
Total Restricted	\$ 19,603,123	\$ 28,072,699
Unrestricted	\$ 17,920,259	\$ 15,521,502
Total Net Position	\$ 37,523,382	\$ 43,594,201

The overall net position is down \$6,070,819 and is mostly reflected in the District's capital outlay. This is due to costs associated with a new Elementary Building. The District's unrestricted cash did increase \$2,398,757.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The second presentation of Table 2 is that Cash Disbursements are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure. The net position at June 30, 2019 has been restated as described in Note 3.A.

**Table 2
Change in Net Position**

	2020	Restated 2019
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,559,649	\$ 1,828,825
Operating Grants & Contributions	1,167,548	570,151
Capital Grants & Contributions	42,405	-
Total Program Cash Receipts	\$ 2,769,602	\$ 2,398,976
General Cash Receipts		
Property Taxes	10,884,590	11,263,384
Grants and Entitlements not Restricted to Specific Programs	4,921,497	5,532,792
Grants and Entitlements Restricted for Ohio Facilities Construction Commission	2,051,888	226,200
Investment Earnings	1,029,403	814,856
Miscellaneous	32,461	30,819
Total General Cash Receipts	18,919,839	17,868,051
Total Cash Receipts	\$ 21,689,441	\$ 20,267,027

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Change in Net Position - Continued

	2020	Restated 2019
Expenses		
Program Cash Disbursements		
Instruction:		
Regular	\$ 8,260,772	\$ 7,994,047
Special	2,503,207	1,865,168
Other	13,070	-
Support Services:		
Pupil	1,191,823	1,123,500
Instructional Staff	265,077	254,652
Board of Education	32,234	36,373
Administration	893,189	1,206,836
Fiscal	332,043	343,771
Business	104,920	99,907
Operation and Maintenance	921,535	974,678
Pupil Transportation	762,055	700,997
Central	65,320	73,540
Other:		
Operation of Non-Instructional/ Enterprise	16,268	85,174
Operation of Food Services	247,337	283,780
Extracurricular Activities	726,075	836,028
Capital Outlay	-	2,237,847
Facilities Acquisition and Construction	9,485,497	-
Debt Service:		
Principal	960,000	1,085,000
Interest	979,838	1,013,693
Total Cash Disbursements	<u>27,760,260</u>	<u>20,214,991</u>
Change in Net Position	<u>(6,070,819)</u>	<u>52,036</u>
Net Position, Beginning of the Year (Restated)	<u>43,594,201</u>	<u>43,542,165</u>
Net Position, End of the Year	<u>\$ 37,523,382</u>	<u>\$ 43,594,201</u>

Governmental Activities

Grants and entitlements not restricted to specific programs made up 22.69% of cash receipts for governmental activities of the District for fiscal year 2020. Property tax receipts made up 50.18% of the total cash receipts for governmental activities. These two items make up a total of 72.87% of all cash receipts in the District's governmental accounts. Instruction costs comprise 38.82% of governmental program cash disbursements. Support services expenses makeup 16.46% of governmental cash disbursements. Excluding the new construction from the total of all expenses Instruction costs comprise 58.97% of governmental program cash disbursements. Support services expenses makeup 25.00% of governmental cash disbursements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Governmental Activities (continued)

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

**Table 3
Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Instruction	\$ 10,777,049	\$ 9,028,586	\$ 9,859,215	\$ 8,446,894
Support Services	4,568,196	4,292,873	4,814,254	4,814,254
Operation of Non-Instructional Services	16,268	(17,485)	85,174	(41,452)
Operation of Food Services	247,337	11,528	283,780	47,987
Extracurricular Activities	726,075	295,226	836,028	211,792
Facilities Acquisition and Construction	9,485,497	9,440,092	-	-
Capital Outlay	-	-	2,237,847	2,237,847
Principal	960,000	960,000	1,027,507	1,027,507
Interest and Fiscal Charges	979,838	979,838	1,013,693	1,013,693
Total Cash Disbursements	<u>\$ 27,760,260</u>	<u>\$ 24,990,658</u>	<u>\$ 20,157,498</u>	<u>\$ 17,758,522</u>

The District's Funds

As noted earlier the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's Governmental Funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year. As of fiscal year 2020, the District's governmental funds reported a combined ending fund (cash basis) balances of \$37,523,382, a decrease of \$6,070,819 in comparison to the previous year. This represents a 13.93% decrease from the prior year which is the result of spending on construction. Of this amount \$15,638,663 constitutes an unassigned fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is restricted, committed or assigned to indicate that the amounts are not available for new spending or for spending outside of the inherent guidelines of the fund.

The District has three major funds for fiscal year 2020: The General Fund, Building Fund, and Classroom Facilities Fund. The General Fund is defined in accordance with the Governmental Accounting Standards Board Statement No. 54 to include the basic General Fund, the severance benefit funds and Public School Support funds. Statement No. 54 requires the classification of fund balances into five categories: Non-spendable 2) Restricted 3) Committed 4) Assigned 5) Unassigned. At the end of the current fiscal year the unassigned General Fund balance is \$15,638,663.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The District's Funds (continued)

An unassigned balance represents the fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund. The reader should view the unassigned General Fund balance as the residual cash that is unencumbered and free to be used for the future expenditures of the District.

The unassigned General Fund balance of the District increased \$117,161 during the fiscal year ending June 30, 2020. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. Our revenue growth will continue to be minimal for future years. Property development will provide some potential revenue increases. Revenue provided by the state is expected to be flat-lined at best.

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

The District's budget is prepared according to Ohio Law and is based on accounting for transactions on a cash basis of receipts and disbursements, while allowing for the accounting of outstanding encumbrances to be paid. The most significant and highest dollar volume budgeted fund is the Base General Fund, which would exclude the severance and public school support accounts. During the course of the year, as allowed by law the District can revise the General Fund budget at various times. The final adjusted budget as with past year's budgets, attempts to include all cost savings initiatives and projected economic factors in the original budget

On the revenue side, actual revenues for the General Fund were \$348,201 above the final revenue budgeted amount. Under state law, a district cannot budget total resources that would exceed the ultimate actual amounts. As such treasurers must be very cautious in budgeting revenues to be in compliance with state law. Districts should have actual revenues exceed budgeted amounts. Districts must use the county auditor's forecast of what is termed "certified" tax revenue. Our actual tax revenue was higher by \$975 and the earnings on investments was higher by \$132,124. The increase in earnings on investments was a majority of the positive revenue variance.

Please note in addition to the budget, the Treasurer prepares a monthly forecast and five-year plan that is used as the planning tools of the District. These tools allow for cash flow planning and provide the Board a concise financial outlook of the District.

Outstanding Debt

In fiscal year 2014, the District completed a second refunding of outstanding bonds. This follows the District's advance refinancing of select bonds in June of 2003. The original bonds were originally issued in 1995 for the construction of a new high school. This was an extremely positive move to save our taxpayers interest costs. In 2018, the District issued \$9,400,000 of bank qualified bonds and \$16,225,000 of non-bank qualified bonds for construction of a new elementary and an academic/art center on the current campus site. Note 10 of the financial statements illustrate the changes in the District's long-term obligations. Bond Anticipation notes of \$9,500,000 issued in December of 2017 were strategically used to ensure we could issue "Bank Qualified" bonds in 2018. Bank Qualified Bonds have lower interest rate costs.

Description	Amount			Amount	
	Outstanding at 6/30/2019	Additions	Deductions	Outstanding at 6/30/2010	Due In One Year
2014 Bonds	\$ 1,780,000	\$ -	\$ (560,000)	\$ 1,220,000	\$ 585,000
2018 A Bonds	9,300,000	-	(50,000)	9,250,000	50,000
2018 B Bonds	15,755,000	-	(350,000)	15,405,000	370,000
Sub-total	26,835,000	-	(960,000)	25,875,000	1,005,000
Capital Appreciation Bonds - 2003					
Issuance Value	24,983	-	-	24,983	-
Sub-total Cap Bonds	24,983	-	-	24,983	-
Grand Total	\$ 26,859,983	\$ -	\$ (960,000)	\$ 25,899,983	\$ 1,005,000

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2021 budget various factors were considered. The impact of Covid-19 is wreaking havoc across our nation. On March 13th of 2020, our District was closed due to Covid-19. Ultimately the Governor of the state shut all schools down for the rest of the school year. The state of Ohio has lost millions of tax revenue and are facing large unemployment claims. This forces the state to slash budgets, as a result Wayne Local will lose a minimum of \$306,954 in state funding for FY 2020 and this same amount for FY 2021. In addition, we will spend \$267,000 on supplies and new computers to provide a safe education setting for our staff and students.

The District has pushed back the start date of our 2021 school year to after Labor Day. Approximately 240 students will stay home and use virtual learning. This adds cost to the District. Covid-19 will be the greatest cost impact we face going forward. Many items are unknown as we navigate this pandemic. At any moment the State could take action to shut down our onsite operations. We would have to go full remote learning. There are many challenges and each one creates a new expense. The impact of Covid-19 on our operations costs coupled with loss revenue will range from \$750,000 to \$1,000,000. The state handed out cares act money and blessed many districts but NOT for the Warren County Schools such as Wayne Local. We will receive a mere pittance of \$65,927 for FY2020, and \$64,405 for FY2021. The allocation of the state reductions and the allocation of the cares act funds were simply not equitable.

On the cost side increases in salaries are planned for teachers and support union staff in line with the certified and non-certified contract years that began 8/1/2018. The other major cost driver is medical insurance premiums. We will have a 7.5% increase beginning January 1, 2021. For reference our increase January 1, 2020 was 22.0%.

Request for information

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 37,523,382
Total assets.	37,523,382
 Net position:	
Restricted for:	
Capital projects	18,002,639
Classroom facilities maintenance	395,965
Debt service.	804,777
State funded programs.	32,922
Student activities	267,015
Other purposes	99,805
Unrestricted (deficit)	17,920,259
Total net position.	\$ 37,523,382

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 8,260,772	\$ 948,932	\$ 79,120	\$ -	\$ (7,232,720)
Special	2,503,207	48,915	671,496	-	(1,782,796)
Other	13,070	-	-	-	(13,070)
Support services:					
Pupil.	1,191,823	-	213,222	-	(978,601)
Instructional staff	265,077	-	-	-	(265,077)
Board of education	32,234	-	-	-	(32,234)
Administration.	893,189	-	-	-	(893,189)
Fiscal.	332,043	-	-	-	(332,043)
Business.	104,920	-	-	-	(104,920)
Operations and maintenance	921,535	27,537	1,817	-	(892,181)
Pupil transportation.	762,055	-	21,419	-	(740,636)
Central	65,320	2,369	8,959	-	(53,992)
Operation of non-instructional services:					
Other non-instructional services	16,268	7,058	26,695	-	17,485
Food service operations	247,337	124,632	111,177	-	(11,528)
Extracurricular activities.	726,075	397,206	33,643	-	(295,226)
Facilities acquisition and construction	9,485,497	3,000	-	42,405	(9,440,092)
Debt service:					
Principal retirement	960,000	-	-	-	(960,000)
Interest and fiscal charges	979,838	-	-	-	(979,838)
Total governmental activities	\$ 27,760,260	\$ 1,559,649	\$ 1,167,548	\$ 42,405	(24,990,658)

General receipts:

Property taxes levied for:	
General purposes	8,511,586
Debt service.	1,790,374
Capital outlay.	449,091
Classroom facilities maintenance	133,539
Grants and entitlements not restricted to specific programs	4,921,497
Grants restricted for Ohio Facilities Construction Commission	2,051,888
Investment earnings	1,029,403
Miscellaneous	32,461
Total general receipts	18,919,839
Change in net position	(6,070,819)
Net position at beginning of year (restated)	43,594,201
Net position at end of year.	\$ 37,523,382

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 16,699,353	\$ 5,742,919	\$ 12,259,720	\$ 2,821,390	\$ 37,523,382
Total assets	<u>\$ 16,699,353</u>	<u>\$ 5,742,919</u>	<u>\$ 12,259,720</u>	<u>\$ 2,821,390</u>	<u>\$ 37,523,382</u>
Fund balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 804,777	\$ 804,777
Capital improvements	-	5,742,919	12,259,720	-	18,002,639
Student wellness	-	-	-	914	914
Classroom facilities maintenance	-	-	-	395,965	395,965
Food service operations	-	-	-	57,158	57,158
Other purposes	-	-	-	32,008	32,008
Extracurricular activities	-	-	-	267,015	267,015
Scholarships	-	-	-	42,647	42,647
Committed:					
Capital improvements	-	-	-	1,220,906	1,220,906
Termination benefits	130,749	-	-	-	130,749
Assigned:					
Student instruction	134,262	-	-	-	134,262
Student and staff support	695,679	-	-	-	695,679
Subsequent year's appropriations	100,000	-	-	-	100,000
Unassigned	15,638,663	-	-	-	15,638,663
Total fund balances	<u>\$ 16,699,353</u>	<u>\$ 5,742,919</u>	<u>\$ 12,259,720</u>	<u>\$ 2,821,390</u>	<u>\$ 37,523,382</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:					
From local sources:					
Property taxes	\$ 8,511,586	\$ -	\$ -	\$ 2,373,004	\$ 10,884,590
Tuition.	843,612	-	-	-	843,612
Earnings on investments	440,401	153,983	435,019	-	1,029,403
Charges for services	-	-	-	124,632	124,632
Extracurricular.	34,838	-	-	424,743	459,581
Classroom materials and fees	128,824	-	-	-	128,824
Rental income	-	-	-	3,000	3,000
Contributions and donations	47,735	-	-	63,941	111,676
Other local revenues	116,483	-	-	31,330	147,813
Intergovernmental - state	5,036,274	-	2,051,888	347,814	7,435,976
Intergovernmental - federal	-	-	-	520,334	520,334
Total cash receipts.	<u>15,159,753</u>	<u>153,983</u>	<u>2,486,907</u>	<u>3,888,798</u>	<u>21,689,441</u>
Cash disbursements:					
Current:					
Instruction:					
Regular.	8,247,277	-	-	13,495	8,260,772
Special	2,123,460	-	-	379,747	2,503,207
Other	-	-	-	13,070	13,070
Support services:					
Pupil	1,011,433	-	-	180,390	1,191,823
Instructional staff	265,077	-	-	-	265,077
Board of education	32,234	-	-	-	32,234
Administration	892,640	-	-	549	893,189
Fiscal	304,402	-	-	27,641	332,043
Business.	104,920	-	-	-	104,920
Operations and maintenance	921,535	-	-	-	921,535
Pupil transportation	730,920	-	-	31,135	762,055
Central	65,320	-	-	-	65,320
Operation of non-instructional services:					
Other operation of non-instructional.	16,268	-	-	-	16,268
Food service operations.	-	-	-	247,337	247,337
Extracurricular activities	267,566	-	-	458,509	726,075
Facilities acquisition and construction.	-	1,490,052	7,674,116	321,329	9,485,497
Debt service:					
Principal retirement.	-	-	-	960,000	960,000
Interest and fiscal charges	-	-	-	979,838	979,838
Total cash disbursements.	<u>14,983,052</u>	<u>1,490,052</u>	<u>7,674,116</u>	<u>3,613,040</u>	<u>27,760,260</u>
Net change in fund balances	176,701	(1,336,069)	(5,187,209)	275,758	(6,070,819)
Fund balances at beginning of year (restated)	<u>16,522,652</u>	<u>7,078,988</u>	<u>17,446,929</u>	<u>2,545,632</u>	<u>43,594,201</u>
Fund balances at end of year.	<u>\$ 16,699,353</u>	<u>\$ 5,742,919</u>	<u>\$ 12,259,720</u>	<u>\$ 2,821,390</u>	<u>\$ 37,523,382</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
From local sources:				
Property taxes	\$ 8,859,311	\$ 8,510,611	\$ 8,511,586	\$ 975
Tuition	779,964	804,964	843,613	38,649
Earnings on investments	286,440	286,440	418,564	132,124
Classroom materials and fees	149,721	149,721	128,828	(20,893)
Other local revenues	30,782	30,782	32,461	1,679
Intergovernmental - intermediate	37	37	-	(37)
Intergovernmental - state	5,460,528	4,840,570	5,036,274	195,704
Total cash receipts	<u>15,566,783</u>	<u>14,623,125</u>	<u>14,971,326</u>	<u>348,201</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,197,967	8,087,967	8,339,017	(251,050)
Special	1,857,592	2,157,592	2,107,405	50,187
Support services:				
Pupil	1,083,065	953,065	1,013,097	(60,032)
Instructional staff	267,342	267,342	265,077	2,265
Board of education	35,364	35,364	32,234	3,130
Administration	1,014,864	1,004,864	896,956	107,908
Fiscal	331,379	331,379	304,402	26,977
Business	102,889	102,889	104,920	(2,031)
Operations and maintenance	1,072,870	1,022,870	1,013,237	9,633
Pupil transportation	741,524	741,524	732,077	9,447
Central	70,683	70,683	59,861	10,822
Other operation of non-instructional services	534	534	-	534
Extracurricular activities	320,408	320,408	267,566	52,842
Debt service:				
Principal retirement	58,356	58,356	-	58,356
Total cash disbursements	<u>15,154,837</u>	<u>15,154,837</u>	<u>15,135,849</u>	<u>18,988</u>
Net change in fund balance	411,946	(531,712)	(164,523)	367,189
Fund balance at beginning of year	15,721,502	15,721,502	15,721,502	-
Prior year encumbrances appropriated	181,684	181,684	181,684	-
Fund balance at end of year	<u>\$ 16,315,132</u>	<u>\$ 15,371,474</u>	<u>\$ 15,738,663</u>	<u>\$ 367,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1 - Description of the School District and Reporting Entity

The Wayne Local School District (the “District”) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. The District covers land located in Warren County and a portion of Greene County. The buildings and administration are located in the Village of Waynesville. The District serves an area of approximately 50 square miles. The District has a history of strong academic, arts and athletic success, which you will find from ODE reports at <http://www.ode.state.oh.us/>

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's instructional/support facilities staffed by 67 classified employees, 94 certificated full-time personnel, and 6 administrators who provide services to 1,453 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups' activities. The District currently operates three buildings situated at one site location.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent's Association:

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

Warren County Career Center

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 180 school districts. The SOEPC acts as its own fiscal agent and is a Regional Council of Governments. The purpose of the Council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

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

Southwestern Ohio Computer Association (SWOCA)

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

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOL

For the fiscal year the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The school districts apply for participation each year. The firms of 3HAB and Hunter Consulting provide administrative, cost controls, and actuarial services to the GRP.

MEDICAL AND DENTAL BENEFITS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies

Although Ohio Administrative Code Section 117-2-03 (B) requires the District’s financial report to follow accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with the cash-basis of accounting. The cash basis method is consistent with record keeping and current state software systems. The District has applied the use of “Other Comprehensive Basis of Accounting” (OCBOA) financial reporting and has used the American Institute of Certified Public Accountants (AICPA) practice aid series, “Applying OCBOA in State and Local Governmental Financial Statements” to assist in the format and content of the District’s presentation. As noted while OCBOA does not represent GAAP it could currently be considered as generally applied principles for many small state and local governmental entities. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. But please note, we do account for and report obligations for encumbrances. An encumbrance is an approved purchase order for a service or product and represents an accrued liability. In addition, the district sets aside cash for the calculated obligation of severance payments.

A. Fund Accounting

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

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The District’s major governmental funds are the General Fund, Building Fund and Classroom Facilities Fund. The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law. The Building and Classroom Facilities Funds are related to new construction occurring 2018-2022.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed or assigned to expenditure for principal and interest.

Fund Balance

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

Fund Balance Assets

The District's total Governmental Fund balance at the end of the 2020 fiscal year was \$37,523,382 with an unassigned balance of \$15,638,663. The classifications are detailed on the Statement of Assets and Fund Balances – Cash Basis.

B. Basis of Presentation

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

Government-Wide Financial Statements: The statements of net position and the statement of activities display information about the District as a whole. The statements report governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the District's general receipts.

The statement of net position presents the financial condition of the governmental activities of the District at fiscal year-end.

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. The following are the District's major funds:

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

Building Fund - The building fund is used to account for and report monies received that are restricted for expenditures for building and equipping of capital facilities.

Classroom Facilities Fund - The classroom facilities fund is used to account for intergovernmental revenues from the State that are restricted for building renovation under the Ohio Facilities Construction Commission's Ohio Facilities Construction Commission (OFCC) program.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

C. Cash and Cash Equivalents

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The District values cash equivalents at cost. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Earnings on investments credited to the General Fund during fiscal year 2020 were \$440,401 with a total of \$1,029,403 for all funds. For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. 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. Investments are reported at cost.

During fiscal year 2020, investments were limited to commercial paper, Federal Farm Credit Bank (FFCB) securities, U.S. Treasury notes, Ohio University taxable bonds, negotiable certificates of deposit, U.S. Government money market and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

During fiscal year 2020, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

D. Inventory and Prepaid Items

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

E. Capital Assets

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

F. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused sick leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting. However, the district funded the required amounts in fund code 035 and the amount is included in the committed fund balance of the extended General Fund. The term "extended General fund" is the combination of the base general fund, the aforementioned severance fund and Public School Support fund.

G. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments. See note 10 for debt obligation data. Please note that all required annual debt obligations for the year were met in a timely fashion.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

H. Inter-Fund Activity

Transfers between funds on the government-wide statements are eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. The District did not have any such transfers in fiscal year 2020.

I. Budgetary Data

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

The certificate of estimated resources may be amended during the year if the Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate presented to the county Auditor at the date of the fiscal years' original appropriation adoption in September. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were approved.

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

J. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources for federal and State grants restricted to cash disbursement for specified purposes. The District's applies restricted resources first when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in fiscal year 2020.

L. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability and net OPEB asset, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 3 - Accountability and Compliance

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 "*Fiduciary Activities*" and GASB Statement No. 90 "*Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*".

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and all funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District's financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund cash balance					
previously reported	\$ 16,522,652	\$ 7,078,988	\$ 17,446,929	\$ 2,451,618	\$ 43,500,187
GASB Statement No. 84	-	-	-	94,014	94,014
Restated fund cash balance					
at June 30, 2019	<u>\$ 16,522,652</u>	<u>\$ 7,078,988</u>	<u>\$ 17,446,929</u>	<u>\$ 2,545,632</u>	<u>\$ 43,594,201</u>

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities and business-type activities at June 30, 2019 have been restated as follows:

	<u>Governmental Activities</u>
Net cash position	
as previously reported	\$ 43,500,187
GASB Statement No. 84	<u>94,014</u>
Restated net cash position	
at June 30, 2019	<u>\$ 43,594,201</u>

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net cash position of \$0. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. At June 30, 2019, agency funds reported assets and net cash position of \$60,112. Also related to the implementation of GASB Statement No. 84, the District will no longer be reporting private purpose trust funds. At June 30, 2019, private purpose trust funds reported assets and net cash position of \$33,902.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 3 - Accountability and Compliance (continued)

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its basic 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 basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Note 4 - Deposits and Investments

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of the 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, the State Treasury Asset Reserve of Ohio (STAR Ohio); and

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 4 – Deposits and Investments (continued)

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.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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.

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 District and must be purchased with the expectation that it will be held to maturity.

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

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all District deposits was \$3,229,443 and the bank balance of all District deposits was \$3,714,373. Of the bank balance, \$500,000 was covered by the FDIC and \$3,214,373 was either covered by the Ohio Pooled Collateral System or was exposed to custodial credit risk because this amount was uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) 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. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2020, some of the District's financial institution was approved for a reduced collateral rate of fifty percent through OPCS. Although all statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 4 – Deposits and Investments (continued)

B. Investments

As of June 30, 2020, the District had the following investments and maturities:

<u>Investment Type:</u>	<u>Cost</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Commercial paper	\$ 2,482,128	\$ 1,484,365	\$ 997,763	\$ -	\$ -	\$ -
FFCB	4,000,000	-	-	-	1,500,000	2,500,000
U.S. Treasury notes	2,998,668	-	2,998,668	-	-	-
Ohio University taxable bonds	996,050	-	-	-	-	996,050
Negotiable CD's	11,000,000	1,500,000	2,250,000	1,750,000	3,250,000	2,250,000
U.S. Government money market	12,802,541	12,802,541	-	-	-	-
STAR Ohio	14,552	14,552	-	-	-	-
Total	\$ 34,293,939	\$ 15,801,458	\$ 6,246,431	\$ 1,750,000	\$ 4,750,000	\$ 5,746,050

The weighted average of maturity of investments is 1.19 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in Ohio University taxable bonds were rated A+ and Aa3 by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in negotiable CD's are not rated. The 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 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 District's name. The District's investments in negotiable CD's are insured by the FDIC. The 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 District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2020:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
Commercial paper	\$ 2,482,128	7.24
FFCB	4,000,000	11.66
U.S. Treasury notes	2,998,668	8.74
Ohio University taxable bonds	996,050	2.90
Negotiable CD's	11,000,000	32.08
U.S. Government money market	12,802,541	37.34
STAR Ohio	14,552	0.04
Total	\$ 34,293,939	100.00

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 4 – Deposits and Investments (continued)

C. 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, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,229,443
Investments	<u>34,293,939</u>
Total	<u>\$ 37,523,382</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	<u>\$ 37,523,382</u>

Note 5 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2020 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2020 were levied after January 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. Public utility property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Public utility real property taxes received in calendar year 2020 became a lien December 31, 2018, was levied after April 1, 2019 and is collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent. No advances were received by the District for the second half collections prior to June 30, 2020.

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 255,565,260	86.33	\$ 262,583,150	86.32
Public utility personal	<u>40,467,340</u>	<u>13.67</u>	<u>41,615,820</u>	<u>13.68</u>
Total	<u>\$ 296,032,600</u>	<u>100.00</u>	<u>\$ 304,198,970</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$55.48		\$55.48	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 6 - Risk Management

A. Risk Pool Membership

The District is a member of the Southwestern Ohio Educational Purchasing Council (EPC) group insurance purchasing program. The Program currently includes 52 Ohio Public School Districts. The secured self-insurance under Gallagher Risk Management Services allows the EPC council to retain a portion of predictable losses, transfer a portion of catastrophic risk, and broaden our insurance program coverage. The Pool assumes the risk of loss up to the limits of the carrier. The loss fund represents the residual cash after considering outstanding reserves. With this program there is an aggregate (Stop Loss) insurance policy. Should the loss fund be exhausted by the EPC council, the aggregate excess coverage applies to fund the retention on behalf of the EPC council. No supplemental assessments can occur under this program. In turn the District has no claim to any loss fund or other program assets. The Pool covers the following risks:

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

The District has not incurred any significant reductions in coverage from the previous fiscal year. Settled claims have not exceeded coverage in any of the past three fiscal years.

B. Workers' Compensation

For fiscal year 2020 the District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Hunter Consulting. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. The 2020 estimated savings to the District was \$14,465. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and 3-HAB Inc. provide administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate annually.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The 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:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or 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; or 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% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$257,140 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - Licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement 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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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% of the 14% member rate goes to the DC Plan and the remaining 2% is applied 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

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 fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$992,131 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05628230%	0.05439727%	
Proportion of the net pension liability current measurement date	<u>0.05606570%</u>	<u>0.05639779%</u>	
Change in proportionate share	<u>-0.00021660%</u>	<u>0.00200052%</u>	
Proportionate share of the net pension liability	\$ 3,354,509	\$ 12,472,032	\$ 15,826,541

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.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

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, 2019, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the 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% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% 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 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 a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. 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%). 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 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%, 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%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 4,700,867	\$ 3,354,509	\$ 2,225,420

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.00%

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 7 - Defined Benefit Pension Plans (continued)

STRS Ohio's 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:

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
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>	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes 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. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the 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%) or one-percentage-point higher (8.45%) than the current rate:

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 18,226,486	\$ 12,472,032	\$ 7,600,593

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans

Net OPEB Liability/Asset

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net 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.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

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.

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment 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 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$32,089.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$32,089 for fiscal year 2020.

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, 2021. 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% of covered payroll. For the fiscal year ended June 30, 2020, 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, 2019, 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 District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.05623900%	0.05439727%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05689360%</u>	<u>0.05639779%</u>	
Change in proportionate share	<u>0.00065460%</u>	<u>0.00200052%</u>	
Proportionate share of the net OPEB liability	\$ 1,430,754	\$ -	\$ 1,430,754
Proportionate share of the net OPEB asset	\$ -	\$ (934,083)	\$ (934,083)

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.13%
Prior measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.22%
Prior measurement date	3.70%
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%
Prior measurement date	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

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:

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. 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% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% 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 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. 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 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 (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 1,736,664	\$ 1,430,754

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB liability	\$ 1,146,324	\$ 1,430,754

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
	Initial	Ultimate	Initial	Ultimate
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
Medical				
Pre-Medicare	5.87%	4.00%	6.00%	4.00%
Medicare	4.93%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	7.73%	4.00%	8.00%	4.00%
Medicare	9.62%	4.00%	-5.23%	4.00%

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% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Defined Benefit OPEB Plans (continued)

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 Real 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>	

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% 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 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% as of June 30, 2019. 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% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the 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, 2019, calculated using the current period discount rate assumption of 7.45%, 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%) or one percentage point higher (8.45%) 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</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 797,054	\$ 934,083

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	District's proportionate share of the net OPEB asset	\$ 1,059,207	\$ 934,083

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 9 - Contingencies

A. Grants The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

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

C. Foundation District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. The District does not anticipate any material adjustments.

Note 10 – Long – Term Obligations

The changes in the District’s long-term obligations during fiscal year 2020 were as follows:

Governmental Activities

	Balance			Balance	Amounts
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due in</u> <u>One Year</u>
2014 Bonds	\$ 1,780,000	\$ -	\$ (560,000)	\$ 1,220,000	\$ 585,000
2018 A Bonds	9,300,000	-	(50,000)	9,250,000	50,000
2018 B Bonds	15,755,000	-	(350,000)	15,405,000	370,000
Sub-total	<u>26,835,000</u>	<u>-</u>	<u>(960,000)</u>	<u>25,875,000</u>	<u>1,005,000</u>
Capital Appreciation Bonds - 2003					
Issuance Value	<u>24,983</u>	<u>-</u>	<u>-</u>	<u>24,983</u>	<u>-</u>
Sub-total Cap Bonds	<u>24,983</u>	<u>-</u>	<u>-</u>	<u>24,983</u>	<u>-</u>
Grand Total	<u>\$ 26,859,983</u>	<u>\$ -</u>	<u>\$ (960,000)</u>	<u>\$ 25,899,983</u>	<u>\$ 1,005,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 10 – Long – Term Obligations (continued)

All current obligation bonds outstanding were issued to provide funds for the acquisition and construction of equipment and facilities and are general obligations of the District for which the full faith and credit of the district is pledged for repayment. Accordingly, payments of principal and interest relating to the liabilities are recorded as disbursements in the debt service fund. The source of payment is derived from bonded debt tax levies. The original millage passed for collection of the 1996 (final refinance date of 2014) was 5.95 mills. However due to property growth and the refinancing of select bonds the current effective tax millage is 2.0 mills. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund a total of \$4,255,000 of the 1996 general obligation bonds. The securities and proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of such future debt services were completely paid as of June 30, 2007. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. In 2014, the District refinanced the "then" remaining portion of the 2003 Bond amounts on November 6th 2013. This refinancing yielded a \$195,460 savings or 24.9% savings of the interest we would have paid over the life of these bonds. The interest rates on the 2014 refunding bonds range from 2.125% to 4%. The 2003 bond issue was comprised of both general obligation current interest bonds with an outstanding face value of \$3,300,000 which have now been refinanced, and capital appreciation bonds with a face value of \$24,983 with a premium of \$830,656. These CAB's will accrete to a value of \$2,190,000 at the time of repayment over the fiscal years of 2023-2025. The total payment of \$2,190,000 will be \$710,000 in 2023; \$730,000 in 2024; and \$750,000 in 2025. These amounts are illustrated in the payment schedule below as a total of \$2,190,000 under the Capital Appreciation Bonds section.

The interest rates on the 2003 refinanced current interest bonds range from 1.500% to 3.850%. All of these bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB'S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

In 2018, the District passed a 30 year levy and issued \$9,400,000 of bank qualified bonds and \$16,225,000 of non-bank qualified bonds for construction of a new elementary and an academic/art center on the current campus site. The current effective millage is 4.86 mills. To allow for the maximum bank qualified bonds the District could issue, the district strategically issued Bond Anticipation notes of \$9,500,000 in December of 2017 and they were paid off in March of 2018. The interest rates range from 2.0% to 5.0%.

Interest payments on the bonds are due on June 1 and December 1, of each year. Principal payments are due on December 1, of each year. The final maturity of the outstanding bonds is December 1, 2047.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 10 – Long – Term Obligations (continued)

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

Fiscal Year Ending June 30,	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,005,000	\$ 941,786	\$ 1,946,786	\$ -	\$ -	\$ -
2022	1,075,000	901,752	1,976,752	-	-	-
2023	485,000	871,668	1,356,668	9,968	700,032	710,000
2024	480,000	848,793	1,328,793	8,227	721,773	730,000
2025	505,000	826,368	1,331,368	6,788	743,212	750,000
2026-2030	3,140,000	3,754,267	6,894,267	-	-	-
2031-2035	3,900,000	3,147,210	7,047,210	-	-	-
2036-2040	4,890,000	2,381,475	7,271,475	-	-	-
2041-2045	6,070,000	1,382,561	7,452,561	-	-	-
2046-2048	4,325,000	248,345	4,573,345	-	-	-
Total	<u>\$ 25,875,000</u>	<u>\$ 15,304,225</u>	<u>\$ 41,179,225</u>	<u>\$ 24,983</u>	<u>\$ 2,165,017</u>	<u>\$ 2,190,000</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District; however there is an exception to the rule under ORC 133.06(I) for districts engaged in a Classroom Facilities Assistance Project (CFAP). The district is engaged in a CFAP and the district did not need to use the exception. The effect of these debt limitations at June 30, 2020 is a debt margin of \$2,282,701 including available funds of \$804,777 of the fiscal year-end balance of the Debt Service Fund (a nonmajor governmental fund).

Note 11 - Set-Aside Calculations

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

	<u>Capital Improvement</u>
Set-aside balance June 30, 2019	\$ -
Current year set-aside requirement	266,392
Current year offsets	<u>(659,522)</u>
Total	<u>\$ (393,130)</u>
Cash Balance Carried Forward to fiscal year 2021	<u>\$ -</u>
Set-aside balance June 30, 2020	<u>\$ -</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 12 – 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 (Non-GAAP 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 cash basis are: (1) Outstanding year-end encumbrances are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis); and (2) Some funds are reported as part of the General Fund (cash basis) as opposed to the General Fund being reported alone (budgetary basis). The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Fund Cash Balance	
Cash Basis	\$ 176,701
Funds Budgeted Elsewhere	(108,123)
Adjustments for Encumbrances	(233,101)
Budgetary Basis	\$ (164,523)

Note 13 - Other Commitments

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 234,962
Building Fund	659,427
Classroom Facilities Fund	12,297,126
Other governmental	89,301
Total	\$ 13,280,816

Note 14 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Wayne Local School District's basic financial statements, and have issued our report thereon dated October 8, 2020, wherein we noted the Wayne Local School District uses a special purpose framework other than accounting principles generally accepted in the United States of America. Also, we noted as described in Note 3 to the financial statements, the Wayne Local School District adopted GASBS No. 84, *Fiduciary Activities*. Furthermore, as described in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wayne Local School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wayne Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne Local School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Wayne Local School District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Wayne Local School District's Response to Finding

Wayne Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Wayne Local School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wayne Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
October 8, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2020**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Noncompliance - Annual Financial Report

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: Cash based reporting with consideration of encumbrances, reserves, and adequate footnotes effectively and efficiently meet the needs of our Board and Citizens. The use of GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user.

All of the District's legal appropriations and forecasts as required by the state are on a cash basis presentation and not on a GAAP basis. The rising complexity and cost associated with GAAP rules, interpretations, presentation and subsequent audits are driving a movement to the use of Special Purpose Framework presentation.

The Wayne Local School's Board of Education has determined that the use of OCBOA or Special-Purpose Framework presentation is cost effective and provides users a clear picture of the District's results, and is consistent with the legal requirements of other state submissions such as the five-year forecast and annual required tax budget.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2020**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2019-001	2004	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP.	Not Corrected	Finding repeated as 2020-001 as the District did not prepare its annual financial report in accordance with GAAP.
2019-002	2018	<u>Significant Deficiency - Financial Statement Presentation</u> - Accurate financial report is required in order to provide management and citizens with objective and timely information to enable well-informed decisions. Adjustments were made to the financial statements and notes to the financial statements for the fiscal year ended June 30, 2019.	Corrective Action Taken and Finding is Fully Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



WAYNE LOCAL SCHOOL DISTRICT

WARREN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/22/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov