



OHIO AUDITOR OF STATE
KEITH FABER



**NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY
JUNE 30, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Norwayne Local School District
Wayne County
161 South Main Street
Creston, Ohio 44217

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norwayne Local School District, Wayne County, Ohio (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2021, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

Also, as discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

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

Other Information

We applied no procedures to management's discussion & analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2021

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Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

The discussion and analysis of Norwayne Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021, within the limitations of the District's cash basis of accounting. 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 basic financial statements and financial statements to enhance their understanding of the District's financial performance.

HIGHLIGHTS

Key financial highlights for the fiscal year 2021 are as follows:

- Net position of governmental activities increased \$5,350.
- General cash receipts accounted for \$18,361,366 or 85.8% of all cash receipts. Program cash receipts in the form of charges for services, operating grants, contributions and interest, and capital grants and contributions accounted for \$3,044,206 or 14.2% of total cash receipts of \$21,405,572.
- General receipts of \$4,649,171 are from the issuance of refunding bonds with a premium.
- The District had \$21,400,222 in cash disbursements related to governmental activities; which only \$3,044,206 of these cash disbursements were offset by program cash receipts.
- The District's major governmental funds are the general fund and the bond retirement fund.
- The general fund had \$13,792,593 in receipts and other financing receipts and \$14,470,410 in disbursements and other financing disbursements. During fiscal year 2021, the general fund's fund balance decreased \$677,817 from \$6,940,455 to \$6,262,638.
- The District's only other major governmental fund is the bond retirement fund. This debt service fund had \$5,376,176 in receipts and other financing receipts, and \$5,276,700 in disbursements and other financing disbursements. During fiscal year 2021, the bond retirement fund increased \$99,476 from \$468,235 to \$567,711.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

The *Statement of Net Position* and *Statement of Activities* provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determines when financial events are recorded. The District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during 2021, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District had two major funds in 2021: the general fund and the bond retirement debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities due to transfers netted on the statement of activities. See Note 2 to the basic financial statements in the section entitled *Government-wide Financial Statements*.

Fiduciary Funds

The District has a private purpose trust fund. The District's cash basis fiduciary activities are reported on the statement of fiduciary net position and the statement of changes in fiduciary net position. We excluded these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the cash basis of accounting.

Notes to the Basic Financial Statements

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

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
 Unaudited

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole on a cash basis of accounting. Table 1 provides a summary of the District's net position for 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities		Increase/ (Decrease)
	2021	Restated 2020	
Assets			
Equity in pooled cash and investments	\$ 8,653,775	\$ 8,648,425	\$ 5,350
Total assets	8,653,775	8,648,425	5,350
Net Position			
Restricted for capital projects	279,131	223,869	55,262
Restricted for debt service	567,711	468,235	99,476
Restricted for other purposes	774,640	508,262	266,378
Unrestricted	7,032,293	7,448,059	(415,766)
Total net position	\$ 8,653,775	\$ 8,648,425	\$ 5,350

Total assets of the District, as a whole, increased by \$5,350. The increase in total assets is not from any individually significant transaction.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2021.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
 Unaudited

Table 2
Change in Net Position

	Governmental Activities	
	2021	2020
Cash Receipts		
Program cash receipts		
Charges for services and sales	\$ 1,180,507	\$ 1,205,526
Operating grants, contributions and interest	1,778,699	1,279,564
Capital grants and contributions	85,000	122,500
Total program cash receipts	<u>3,044,206</u>	<u>2,607,590</u>
General cash receipts		
Property taxes	4,635,548	4,439,884
Shared revenue restricted for permanent improvements	30,662	29,720
Income taxes	1,335,119	1,350,248
Grants and entitlements not restricted to specific programs	7,507,068	7,336,827
Investment earnings	31,658	154,680
Refunding bonds issued	4,093,323	-
Premium on refunding bonds issued	555,848	-
Miscellaneous	172,140	148,797
Total general cash receipts	<u>18,361,366</u>	<u>13,460,156</u>
Total cash receipts	<u>21,405,572</u>	<u>16,067,746</u>
Program Cash Disbursements		
Instruction:		
Regular	6,149,134	5,824,060
Special	2,418,381	2,454,167
Vocational	195,136	161,866
Other	826,306	952,223
Support services:		
Pupils	571,641	530,470
Instructional staff	477,150	421,406
Board of education	34,390	27,730
Administration	1,280,727	1,139,966
Fiscal	394,304	386,887
Operation and maintenance of plant	1,306,567	1,283,833
Pupil transportation	1,047,375	1,180,502
Operation of food service	573,499	486,304
Extracurricular activities	734,100	614,246
Capital outlay	126,013	413,697
Debt service:		
Principal retirement	450,000	435,000
Interest and fiscal charges	172,107	248,738
Issuance costs	102,526	-
Payment to refunded bond escrow agent	4,540,866	-
Total cash disbursements	<u>21,400,222</u>	<u>16,561,095</u>
Change in net position	5,350	(493,349)
Restatement	-	166,482
Net position at beginning of year	<u>8,648,425</u>	<u>8,975,292</u>
Net position at end of year	<u>\$ 8,653,775</u>	<u>\$ 8,648,425</u>

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
 Unaudited

Program cash receipts of \$3,044,206, which are represented by charges for services and sales, and operating grants, contributions and interest, and capital grants and contributions made up 14.2% of total cash receipts. General cash receipts of \$18,361,366 which are primarily represented by property taxes and unrestricted grants and entitlements, made up 85.8% of total cash receipts.

Program cash disbursements for instruction were \$9,588,957 or 44.8% of all program cash disbursements. Regular instruction represents 64.1% of this amount and 28.7% of all program cash disbursements.

Other significant programs include administration, operation and maintenance of plant and transportation which account for 6.0%, 6.1% and 4.9%, respectively of program cash disbursements.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements.

Table 3

	Governmental Activities		Governmental Activities	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2020</u>
Program Cash Disbursements				
Instruction:				
Regular	6,149,134	\$ (5,263,126)	5,824,060	\$ (5,024,602)
Special	2,418,381	(1,771,092)	2,454,167	(1,741,937)
Vocational	195,136	(142,935)	161,866	(121,545)
Other	826,306	(824,468)	952,223	(952,223)
Support services:				
Pupils	571,641	(104,729)	530,470	(280,685)
Instructional staff	477,150	(470,241)	421,406	(399,452)
Board of education	34,390	(34,390)	27,730	(27,730)
Administration	1,280,727	(1,280,727)	1,139,966	(1,134,788)
Fiscal	394,304	(394,304)	386,887	(386,887)
Operation and maintenance of plant	1,306,567	(1,195,600)	1,283,833	(1,233,693)
Pupil transportation	1,047,375	(1,045,189)	1,180,502	(1,158,838)
Operation of food service	573,499	(37,301)	486,304	(128,309)
Extracurricular activities	734,100	(400,402)	614,246	(265,381)
Capital outlay	126,013	(126,013)	413,697	(413,697)
Debt service:				
Principal retirement	450,000	(450,000)	435,000	(435,000)
Interest and fiscal charges	172,107	(172,107)	248,738	(248,738)
Issuance costs	102,526	(102,526)	-	-
Payment to refunded bond escrow agent	4,540,866	(4,540,866)	-	-
Total	<u>\$ 21,400,222</u>	<u>\$ (18,356,016)</u>	<u>\$ 16,561,095</u>	<u>\$ (13,953,505)</u>

The dependence upon tax revenues and unrestricted state entitlements is apparent as program receipts only provided for \$3,044,206 of the total program cash disbursements of \$21,400,222 for 2021.

Norway Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
Unaudited

THE DISTRICT FUNDS

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing receipts of \$21,752,746 and cash disbursements and other financing disbursements of \$21,747,396.

General Fund - The District's general fund cash fund balance decreased by \$677,817 due in part to a transfer out to a capital projects fund for \$250,000 and an increase in expenditures by \$168,962, not significant to any one item.

Bond Retirement Fund - The District's other major governmental fund is the bond retirement fund. This debt service fund had \$727,005 in receipts and \$735,834 in disbursements. The increase in disbursements was from the issuance costs associated with the bond refunding during the fiscal year. During fiscal year 2021, this fund's cash balance increased \$99,476 from \$468,235 to \$567,711.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The general fund's ending unencumbered cash balance was \$5,940,488. During the fiscal year, the original estimated receipts were increased by \$109,432 or 0.8%, and appropriations were increased by \$198,500 or 1.3%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The District had capital outlay disbursements of \$126,013 during fiscal year 2021.

Debt

Under the cash basis of accounting the District does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the District's bonds. At June 30, 2021, the District had \$6,839,502 in bonds outstanding for governmental activities. For additional information regarding debt, please see note 8 of the notes to the basic financial statements.

Norwayne Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021
 Unaudited

Table 4 summarizes bonds outstanding for Governmental Activities for the past two years:

Table 4
 General Obligation Bonds Outstanding
 Governmental Activities

	Principal Outstanding <u>2021</u>	Principal Outstanding <u>2020</u>
Bonds:		
Refunding Facility Improvement		
Serial and term bonds	\$ 6,655,000	\$ 7,250,000
Capital appreciation bonds	<u>184,502</u>	<u>46,179</u>
Total	<u>\$ 6,839,502</u>	<u>\$ 7,296,179</u>

CURRENT ISSUES

State law fixes the amount of tax revenue, forcing it to remain constant except for new valuations in the District. Management must plan expenses accordingly, staying within the District's five-year plan. The financial future of the District is not without its challenges. These challenges stem from issues that are at the local and State level. The local challenges will continue to exist, as the District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years. Beginning in 2022, a new formula is being used to determine funding from the State, however it is uncertain as to whether it will have a positive or negative impact on the District's cash position. See Note 14D in the notes to the financial statements for more information about the potential impact from the global pandemic.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors 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 financial information, contact Sandy Hadsell, Treasurer at Norwayne Local School District, 161 South Main Street, Creston, Ohio 44217.

Norwayne Local School District
Statement of Net Position - Cash Basis
June 30, 2021

	Governmental Activities
<u>Assets:</u>	
Equity in pooled cash and cash investments	\$ 8,653,775
 <u>Net position:</u>	
Restricted for:	
Capital projects	279,131
Debt service	567,711
Other purposes	774,640
Unrestricted	7,032,293
 Total net position	 \$ 8,653,775

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2021

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$ 6,149,134	\$ 752,837	\$ 48,171	\$ 85,000	\$ (5,263,126)
Special	2,418,381	107,085	540,204	-	(1,771,092)
Vocational	195,136	-	52,201	-	(142,935)
Other	826,306	-	1,838	-	(824,468)
Support services:					
Pupils	571,641	2,231	464,681	-	(104,729)
Instructional staff	477,150	-	6,909	-	(470,241)
Board of education	34,390	-	-	-	(34,390)
Administration	1,280,727	-	-	-	(1,280,727)
Fiscal	394,304	-	-	-	(394,304)
Operation and maintenance of plant	1,306,567	380	110,587	-	(1,195,600)
Pupil transportation	1,047,375	-	2,186	-	(1,045,189)
Operation of food service	573,499	27,362	508,836	-	(37,301)
Extracurricular activities	734,100	290,612	43,086	-	(400,402)
Capital outlay	126,013	-	-	-	(126,013)
Debt service:					
Principal retirement	450,000	-	-	-	(450,000)
Interest and fiscal charges	172,107	-	-	-	(172,107)
Issuance costs	102,526	-	-	-	(102,526)
Payment to refunded bond escrow agent	4,540,866	-	-	-	(4,540,866)
Total governmental activities	\$ 21,400,222	\$ 1,180,507	\$ 1,778,699	\$ 85,000	(18,356,016)
<u>General Receipts:</u>					
Property taxes levied for:					
General purposes					3,826,727
Debt service					637,150
Capital outlay					103,016
Classroom maintenance					68,655
Shared revenue restricted for:					
Permanent improvement projects					30,662
Income taxes levied for:					
General purposes					1,335,119
Grants and entitlements not restricted to specific programs					7,507,068
Investment earnings					31,658
Refunding bonds issued					4,093,323
Premium on refunding bonds issued					555,848
Miscellaneous					172,140
Total general receipts					18,361,366
Change in net position					5,350
Net position at beginning of year, as restated					8,648,425
Net position at end of year					\$ 8,653,775

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in pooled cash and cash investments	\$ 6,262,638	\$ 567,711	\$ 1,823,426	\$ 8,653,775
Total assets	\$ 6,262,638	\$ 567,711	\$ 1,823,426	\$ 8,653,775
 <u>Fund balances:</u>				
Restricted for:				
Food service	\$ -	\$ -	\$ 1,157	\$ 1,157
Athletics and music	-	-	114,764	114,764
Capital improvements	-	-	279,131	279,131
Debt service	-	567,711	-	567,711
Classroom facilities maintenance	-	-	55,295	55,295
Technology	-	-	5,400	5,400
Student wellness	-	-	450,150	450,150
Student activities	-	-	147,874	147,874
Committed to:				
Capital improvements	-	-	769,655	769,655
Assigned to:				
Uniform school supplies	80,203	-	-	80,203
Public school support	34,443	-	-	34,443
Next year's budget	106,553	-	-	106,553
Purchases on order	180,087	-	-	180,087
Unassigned	5,861,352	-	-	5,861,352
Total fund balances	\$ 6,262,638	\$ 567,711	\$ 1,823,426	\$ 8,653,775

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Cash Receipts, Cash Disbursements
and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<u>Cash Receipts:</u>				
Property taxes	\$ 3,826,727	\$ 637,150	\$ 171,671	\$ 4,635,548
Income tax	1,335,119	-	-	1,335,119
Intergovernmental	7,440,914	89,855	1,715,101	9,245,870
Interest	19,050	-	12,710	31,760
Tuition and fees	862,153	-	-	862,153
Extracurricular activities	-	-	290,612	290,612
Gifts and donations	100,682	-	41,216	141,898
Customer services	-	-	25,188	25,188
Rent	380	-	-	380
Miscellaneous	154,812	-	2,174	156,986
Total cash receipts	<u>13,739,837</u>	<u>727,005</u>	<u>2,258,672</u>	<u>16,725,514</u>
<u>Cash Disbursements</u>				
Current:				
Instruction:				
Regular	6,078,331	-	70,803	6,149,134
Special	1,912,643	-	505,738	2,418,381
Vocational	180,323	-	14,813	195,136
Other	824,468	-	1,838	826,306
Support services:				
Pupils	436,629	-	135,012	571,641
Instructional staff	470,241	-	6,909	477,150
Board of education	34,390	-	-	34,390
Administration	1,280,727	-	-	1,280,727
Fiscal	380,146	11,201	2,957	394,304
Operation and maintenance of plant	1,039,235	-	267,332	1,306,567
Pupil transportation	1,045,189	-	2,186	1,047,375
Operation of food service	-	-	573,499	573,499
Extracurricular activities	426,241	-	307,859	734,100
Capital outlay	37,970	-	88,043	126,013
Debt service:				
Principal retirement	-	450,000	-	450,000
Interest and fiscal charges	-	172,107	-	172,107
Issuance costs	-	102,526	-	102,526
Total cash disbursements	<u>14,146,533</u>	<u>735,834</u>	<u>1,976,989</u>	<u>16,859,356</u>
Excess of cash receipts over (under) cash disbursements	<u>(406,696)</u>	<u>(8,829)</u>	<u>281,683</u>	<u>(133,842)</u>
<u>Other financing receipts (disbursements):</u>				
Refund of prior year expenditures	29,459	-	1,428	30,887
Refunding bonds issued	-	4,093,323	-	4,093,323
Premium on refunding bonds issued	-	555,848	-	555,848
Payment to refunded bond escrow agent	-	(4,540,866)	-	(4,540,866)
Advances in	23,297	-	13,877	37,174
Advances out	(13,877)	-	(23,297)	(37,174)
Transfers in	-	-	310,000	310,000
Transfers out	(310,000)	-	-	(310,000)
Total other financing receipts (disbursements)	<u>(271,121)</u>	<u>108,305</u>	<u>302,008</u>	<u>139,192</u>
Net change in fund balances	(677,817)	99,476	583,691	5,350
Fund balances at beginning of year, as restated	6,940,455	468,235	1,239,735	8,648,425
Fund balances at end of year	<u>\$ 6,262,638</u>	<u>\$ 567,711</u>	<u>\$ 1,823,426</u>	<u>\$ 8,653,775</u>

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Receipts, Disbursements and Changes in Fund Balance -
Budget and Actual (Budget Basis) - General Fund
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property taxes	\$ 3,546,934	\$ 3,826,727	\$ 3,826,727	\$ -
Income tax	1,367,194	1,335,119	1,335,119	-
Intergovernmental	7,589,511	7,440,914	7,440,914	-
Interest	154,816	18,488	19,050	562
Tuition and fees	797,500	783,025	783,476	451
Rent	7,500	380	380	-
Gifts and donations	250	86,900	86,900	-
Miscellaneous	52,525	134,109	134,805	696
Total receipts	<u>13,516,230</u>	<u>13,625,662</u>	<u>13,627,371</u>	<u>1,709</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,579,444	6,668,651	6,031,255	637,396
Special	1,889,022	1,914,599	1,912,643	1,956
Vocational	188,302	190,852	180,323	10,529
Other	811,795	822,786	824,468	(1,682)
Support services:				
Pupils	457,194	463,384	407,749	55,635
Instructional staff	450,865	456,970	472,626	(15,656)
Board of education	52,660	53,373	35,168	18,205
Administration	1,208,108	1,224,465	1,281,390	(56,925)
Fiscal	385,154	390,369	380,359	10,010
Operation and maintenance of plant	1,083,956	1,098,218	1,039,235	58,983
Pupil transportation	1,110,824	1,125,840	1,159,634	(33,794)
Extracurricular activities	466,540	472,857	436,805	36,052
Capital outlay	120,000	120,000	85,685	34,315
Total disbursements	<u>14,803,864</u>	<u>15,002,364</u>	<u>14,247,340</u>	<u>755,024</u>
Excess of receipts under disbursements	<u>(1,287,634)</u>	<u>(1,376,702)</u>	<u>(619,969)</u>	<u>756,733</u>
<u>Other financing receipts (disbursements):</u>				
Refund of prior year expenditures	18,750	29,460	29,459	(1)
Advances in	135,000	23,300	23,297	(3)
Advances out	-	-	(13,877)	(13,877)
Transfers out	(315,000)	(315,000)	(310,000)	5,000
Total other financing receipts (disbursements)	<u>(161,250)</u>	<u>(262,240)</u>	<u>(271,121)</u>	<u>(8,881)</u>
Net change in fund balance	(1,448,884)	(1,638,942)	(891,090)	747,852
Fund balance at beginning of year	6,799,214	6,799,214	6,799,214	-
Prior year encumbrances appropriated	32,364	32,364	32,364	-
Fund balance at end of year	<u>\$ 5,382,694</u>	<u>\$ 5,192,636</u>	<u>\$ 5,940,488</u>	<u>\$ 747,852</u>

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2021

	Private Purpose Trust
	Scholarships
<u>Assets:</u>	
Equity in pooled cash and cash equivalents	\$ 71,697
 <u>Net position:</u>	
Held in trust for scholarships	\$ 71,697

See accompanying notes to the basic financial statements.

Norwayne Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2021

	Private Purpose Trust
	Scholarship
<u>Additions:</u>	
Interest	\$ 580
Gift and donations	3,000
Miscellaneous	26,250
Total additions	29,830
 <u>Deductions:</u>	
Scholarship awards	12,931
Change in net position	16,899
Net position beginning of year	54,798
Net position end of year	\$ 71,697

See accompanying notes to the basic financial statements.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

1. SUMMARY OF THE DISTRICT AND REPORTING ENTITY

Description of the Entity

Norwayne Local School District (the District), formerly known as North Central Local School District, is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services to approximately 1,358 students and community members as authorized by state statute and/or federal guidelines. The District was established in 1952 through the consolidation of existing school districts. The District serves an area of approximately 79 square miles, is located in Medina and Wayne Counties, and includes all of the Villages of Burbank, Creston, and Sterling.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship of the primary government and the organization is such that exclusion would render the financial statements incomplete or misleading. There are no component units of the District.

The District is associated with a jointly governed organization and a public entity risk pool. These organizations are the Tri-County Computer Services Association (TCCSA) and the Wayne County Schools Council for Health Care Benefit Program. These organizations are presented in Notes 12 and 13, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The District's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The following are the District's major governmental funds:

General Fund

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund

The bond retirement fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources, and capital projects, whose use is restricted to a particular purpose.

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension and other employee benefit trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust funds account for programs that provide college scholarships to students after graduation.

Basis of Presentation

The District uses the provisions of GASB Statement No. 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB Statement No. 38, for certain financial statement note disclosures. The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position-cash basis presents the cash basis financial condition of governmental activities of the District at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing or draws from the general cash receipts of the District.

Fund Financial Statements

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

Basis of Accounting

Although required by the Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Cash Receipts – Exchange and Nonexchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes and income taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

Budget

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Wayne County Budget Commissions for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. Budget receipts as shown in the accompanying financial statements do not include July 1, 2020 unencumbered fund balances. However, those fund balances were available for appropriation.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire year, including amounts carried over from prior years. The budget figures that appear as the final budget, in the statement of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than custodial funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances of all funds as of June 30, 2021. To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained throughout the District's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Interest in the pool is presented as "equity in pooled cash and cash investments" on the financial statements. Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as part of "equity in pooled cash and cash investments".

During the fiscal year, investments were limited to U.S. treasury notes, federal securities, government sponsored enterprise securities, money market funds and an interest in STAR Ohio, the State Treasurer's Investment Pool. The District's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the District. The District measures their 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 a NAV per share that approximates fair value.

For the fiscal year 2021, there were no limitation 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.

Capital Assets

Property, plant, and equipment acquired or constructed by the District are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting as described in Note 2, capital assets and the related depreciation are not reported separately on the financial statements.

Pensions/Other Postemployment Benefits (OPEB)

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

Compensated Absences

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting as described in Note 2. All leave will either be utilized by time off from work or, within certain limitations, be paid to employees.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Long-term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the basic financial statements when paid and are not accrued under the cash basis of accounting as previously described in Note 2.

Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted: The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The purpose constraint that represents the intended use is established by the Board of Education or by their designated official. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District or by State statute. The Treasurer is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Net Position

Net position represents the difference between assets and liabilities. On the cash basis of accounting net position equals assets since liabilities are not recorded. 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. Restricted for other purposes is comprised of net position restricted for food service, athletics and music, classroom facilities maintenance, and technology. The District applies restricted resources first when a cash disbursement is made for purposes for which both restricted and unrestricted net position is available. The District does not have net position restricted by enabling legislation.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing receipts/disbursements in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities are eliminated.

3. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the statement of cash basis assets and fund balances.

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Interim deposits are deposits of interim monies. Interim monies are those monies that 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 within five years from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement, unless the investment is matched to a specific obligation or debt of the District and the investment is not a commercial paper note, a banker's acceptance or a repurchase agreement:

1. United States Treasury bills, notes, bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed thirty days in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper notes, limited to 40 percent (5 percent for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40 percent of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

According to state law, public depositories must provide security for the repayment of all public deposits. These institutions shall give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC). The security for these deposits will be made under an agreement using a surety bond and/or by means of pledging allowable securities as collateral to be held by a qualified trustee. The pledged collateral can be held for each public depositor or in a pool for multiple public depositors and must have a market value of at least 105 percent of the total value of public monies on deposit at the institution. If the institution participates in the Ohio Pooled Collateral System (OPCS), the total market value of the securities pledged can be 102 percent or lower if permitted by the Treasurer of State.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

During fiscal year 2021, investments were limited to U.S. treasury notes, federal securities, government sponsored enterprise securities, money market funds and an interest in STAR Ohio. Investments are reported at cost or fair value, which is not materially different than measurement value.

All interest receipts are reported in the general fund except those specifically related to those funds deemed appropriate according to Board policy. For fiscal year 2021, interest receipts in the general fund are \$19,050 and of that amount, \$2,883 was assigned from other funds.

Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2021, the District's deposits of \$4,300,943 were either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the District's name.

Investments:

On June 30, 2021, the District had an investment with Star Ohio for \$4,813,685. The investment has an average days to maturity of 54.4 days.

Interest rate risk - As a means of limiting its exposure to fair value losses caused by rising interest rates, the District attempts, to the extent possible, to match investments with anticipated cash flow requirements. Unless matched to a specific obligation or debt of the District, the District will not directly invest in securities maturing more than five years from the date of investment.

Credit risk - is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard and Poor's has assigned STAR Ohio and the Federated Treasury Obligation money market an AAAM rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District limits their investments to those authorized by state statute.

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5. BUDGETARY BASIS FUND BALANCES

Differences between the budgetary basis fund balances and cash fund balances are due to encumbrances and perspective differences. The cash fund balance, as well as the cash receipts, cash disbursements, and other financing receipts and disbursements of the general fund include activity that is budgeted within special revenue funds. However, on the budgetary basis, the activity of special revenue funds is excluded resulting in perspective differences. The table below presents those differences for the District's general fund:

	General Fund
Budgetary basis fund balance	\$ 5,940,488
Budgeted as part of special revenue funds:	
Beginning cash fund balances	108,877
Receipts	112,466
Disbursements	(79,280)
Encumbrances	180,087
Cash basis fund balance	\$ 6,262,638

6. PROPERTY TAX

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 and tangible personal property (used in public utility) located in the District. Real property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2021 represents collections of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2019, were levied after October 1, 2020 and are collected in 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Wayne County and Medina County Treasurers collect property tax on behalf of all taxing districts within the respective counties. The District receives property taxes from both counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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The assessed values upon which the second half of fiscal year 2021 taxes collected are:

2020 <u>Property Category</u>	Wayne <u>County</u>	Medina <u>County</u>	<u>Totals</u>
<u>Real Property</u>			
Residential and agricultural	\$ 174,510,270	\$ 5,950,840	\$ 180,461,110
Commercial, industrial and minerals	11,591,670	6,072,960	\$ 17,664,630
<u>Tangible Personal Property</u>			
Public utilities	7,013,280	546,480	7,559,760
Total	<u>\$ 193,115,220</u>	<u>\$ 12,570,280</u>	<u>\$ 205,685,500</u>

7. SCHOOL DISTRICT INCOME TAX

The District passed a 0.75 percent earned income only tax for general operations of the District beginning January 1, 2014 and ending December 31, 2018. During November 2017, the voters approved a renewal of the income tax until December 31, 2028. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,335,119 during fiscal year 2020.

8. LONG-TERM DEBT

Under the cash basis of accounting as described in Note 2, the District does not record debt in the accompanying basic financial statements.

The changes in the District's long-term obligations during fiscal year 2021 were as follows:

	Principal Outstanding 7/1/2020	Additions	Reductions	Principal Outstanding 6/30/2021	Due Within One Year
General Obligation Bonds:					
2021 Refunding					
Facility Improvement					
Serial bonds 1.55 - 2.35%	\$ -	\$ 3,955,000	\$ -	\$ 3,955,000	\$ -
Capital appreciation bonds	-	138,323	-	138,323	71,029
2015 Refunding					
Facility Improvement					
Serial and term bonds 1.00 - 4.00%	\$ 7,250,000	\$ -	\$ (4,550,000)	2,700,000	\$ 175,000
Capital appreciation bonds	46,179	-	-	46,179	46,179
Total	<u>\$ 7,296,179</u>	<u>\$ 4,093,323</u>	<u>\$ (4,550,000)</u>	<u>\$ 6,839,502</u>	<u>\$ 292,208</u>

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In January 2015, the District issued \$8,776,179 in refunding general obligation bonds which included serial, term and capital appreciation bonds. The capital appreciation bonds mature in fiscal year 2022 with a par value of \$460,000. The 2015 Refunding Facility Improvement Bonds proceeds consisted of bond principal and \$839,226 of premium. The net proceeds of \$9,435,437 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2007 Classroom Facility Improvement Bonds refunded and the 2007 Various Purpose Bonds refunded. As a result, the bonds are considered to be defeased by the District. The old bonds were called on December 1, 2016 and subsequently redeemed. The District advance refunded the old bonds to reduce their total debt service payments over the next nineteen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$496,178. The new bonds will be retired from the debt service fund.

In April 2021, the District issued \$4,093,323 in refunding general obligation bonds which included serial and capital appreciation bonds. The bonds, including a premium of \$555,848, were used to refund a portion of the 2015 Refunding Facility Improvement Bonds. The net proceeds of \$4,540,866 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for future debt service payments of the portion of the 2015 Refunding Facility Improvement Bonds. The old bonds are considered defeased and will ultimately be repaid from the escrow agent on December 1, 2023, the call date. The refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$157,988. The new bonds will be retired from the debt service fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year Ending June 30	2015 and 2021 Various Purpose Refunding Bonds			
	Principal	Interest	Interest	Total
2022	\$ 292,208	\$ 272,792	\$ 150,542	\$ 715,542
2023	492,735	47,265	140,942	680,942
2024	491,173	63,827	126,843	681,843
2025	498,288	66,712	113,592	678,592
2026	509,531	70,469	101,155	681,155
2027-2031	2,625,567	309,434	378,064	3,313,065
2032-2034	1,930,000	-	67,503	1,997,503
Total	\$ 6,839,502	\$ 830,499	\$ 1,078,641	\$ 8,748,642

9. RISK MANAGEMENT

The District maintains comprehensive insurance coverage with an independent third party for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and building contents are 100 percent coinsured. Settled claims have not exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP). 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

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as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

The District also participates in the Medina and Wayne County Health Trust in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

10. DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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The net pension/net OPEB liability (asset) are not reported on the face of the financial statements, but rather are disclosed in the notes because of the use of the cash basis framework.

The remainder of this note includes the required pension and OPEB disclosures.

A. DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description - 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 <u>August 1, 2017 *</u>	Eligible to Retire on or after <u>August 1, 2017</u>
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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. For 2021, the COLA was 0.5%.

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0%.

The District's contractually required contribution to SERS was \$245,258 for fiscal year 2021.

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State Teachers Retirement System

Plan Description – District licensed teachers and other faculty members 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 Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased through 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. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

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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 that 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. Plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 and 2021 contribution rates were equal to the statutory maximum rates.

The District’s contractually required contribution to STRS was \$893,747 for fiscal year 2021.

Net Pension Liability

The net pension liability was measured as of June 30, 2020, 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	0.0479019%	0.04725060%	
Proportion of the net pension liability - current measurement date	<u>0.0480492%</u>	<u>0.04756594%</u>	
Change in proportionate share	<u>0.0001473%</u>	<u>0.00031534%</u>	
Proportionate share of the net pension liability	\$3,178,075	\$11,509,265	\$14,687,340

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. Future benefits for all current plan members were projected through 2130.

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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, 2020, are presented below:

Wage inflation	3 percent
Future salary increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment rate of return	7.5 percent net of investment expense, including inflation
Actuarial cost method	Entry age normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed 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 averaged 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	2.00 %	1.85 %
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategies	5.00	6.65
Total	<u>100.00 %</u>	

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Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the 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 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,353,575	\$3,178,075	\$2,191,809

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Projected salary increases	2.5 percent at age 65 to 12.5 percent at age 20
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Discount rate of return	7.45 percent
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0 percent effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020, valuation are based on the results of an actuarial experience study, effective July 1, 2011 through June 30, 2016.

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

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<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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30 year period, STRS's 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 percent as of June 30, 2020. 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, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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 percent, 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 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
District's proportionate share of the net pension liability	\$16,387,190	\$11,509,265	\$7,375,630

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B. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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.

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 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, 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 2021, this amount was \$23,000. Statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the District's surcharge obligation was \$33,719.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required health care contribution to SERS was \$33,719 for fiscal year 2021.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

State Teachers Retirement System

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 percent of covered payroll. For the fiscal year ended June 30, 2021, 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, 2020, and the total OPEB liability 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. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability or (asset) - prior measurement date	0.0491138%	0.04725060%	
Proportion of the net OPEB liability or (asset) - current measurement date	<u>0.0500001%</u>	<u>0.04756594%</u>	
Change in proportionate share	<u>0.0008863%</u>	<u>0.00031534%</u>	
 Proportionate share of the net OPEB liability (asset)	 \$1,086,677	 (\$835,970)	 \$250,707

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.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2020, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	2.45 percent
Prior Measurement Date	3.13 percent
Year FNP is projected to be depleted	2034
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	2.63 percent
Prior Measurement Date	3.22 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	2.00 %	1.85 %
US equity	22.50	5.75
International equity	22.50	6.50
Fixed income	19.00	2.85
Private equity	12.00	7.60
Real assets	17.00	6.60
Multi-asset strategies	<u>5.00</u>	6.65
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2020 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no 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, 2034. However, since SERS' actuaries indicate the fiduciary net position is projected to be depleted at a future measurement date, the single equivalent interest rate is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e., municipal bond rate).

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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 (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). 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 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease <u>(1.63%)</u>	Current Discount Rate <u>(2.63%)</u>	1% Increase <u>(3.63%)</u>
District's proportionate share of the net OPEB liability	\$1,330,051	\$1,086,677	\$893,174
	1% Decrease (6.00 % decreasing to <u>3.75%</u>	Current Trend Rate (7.00 % decreasing to <u>4.75%</u>	1% Increase (8.00 % decreasing to <u>5.75%</u>
District's proportionate share of the net OPEB liability	\$855,666	\$1,086,677	\$1,395,570

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount rate of return	7.45 percent
Health Care Cost Trends:	
Medical	
Pre-Medicare	5.00 percent initial, 4.00 percent ultimate
Medicare	-6.69 percent initial, 4.00 percent ultimate
Prescription Drug	
Pre-Medicare	6.50 percent initial, 4.00 percent ultimate
Medicare	11.87 percent initial, 4.00 percent ultimate

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

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

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2020.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

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, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
District's proportionate share of the net OPEB asset	(\$727,349)	(\$835,970)	(\$928,132)
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	(\$922,412)	(\$835,970)	(\$730,673)

11. REQUIRED SET-ASIDES

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

	<u>Capital Maintenance</u>
Set-aside reserve balance as of June 30, 2020	\$ -
Current year set-aside requirement	245,361
Current year offsets	<u>(668,133)</u>
Totals	<u>(422,772)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>

Although, the District had current year offsets during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance reserve, this amount may not be used to reduce the set aside requirement for future years. This negative balance is, therefore, not presented as being carried forward to future years.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

12. JOINTLY GOVERNED ORGANIZATION

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 29 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 for member districts. Each of the governments of these districts support TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the executive director at TCCSA located in Wooster, Ohio. During the year, the District paid approximately \$120,571 to TCCSA for various services.

13. PUBLIC ENTITY RISK POOL

The Wayne County Schools Council for Health Care Benefit Program is a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually superintendent, treasurer or executive member of governing body). The Council elects officers to serve on the Board of Directors. The assembly exercises control over the operation of the Council. Council revenues are generated from charges for services received from participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

14. CONTINGENCIES

A. Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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, the effect of any disallowed claims on the overall financial position of the District at June 30, 2021, if applicable, cannot be determined at this time.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

C. Full Time Equivalency

District foundation funding is based on the annualized full-time equivalent (“FTE”) enrollment of each student. The Ohio Department of Education (“ODE”) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. All adjustments have been finalized and are not material.

D. State of Emergency Pandemic

The United States and the State of Ohio declared a state of emergency in March 2020 due to the Coronavirus 2019 pandemic (COVID-19). 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 plan 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.

15. INTERFUND ACTIVITY

Interfund Transfers and Advances

Transfers made during the year ended June 30, 2021, were as follows:

Transfers from general fund to:	
Nonmajor governmental fund	\$ 310,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code sections 5705.14, 5705.15 and 5705.16.

Advances made during the year ended June 30, 2021, were as follows:

<u>Fund:</u>	<u>Advance To:</u>	<u>Advance From:</u>
General fund	\$ 23,297	\$ 13,877
Nonmajor governmental funds	13,877	23,297
Total	<u>\$ 37,174</u>	<u>\$ 37,174</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Norwayne Local School District
Wayne County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021

16. OTHER COMMITMENTS

The District utilizes encumbrances as part of their accounting and budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classification 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	\$ 180,088
Nonmajor governmental funds	<u>393,307</u>
Total	<u>\$ 573,395</u>

17. RESTATEMENT OF FUND BALANCE/NET POSITION

For 2021, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 84, "Fiduciary Activities." GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its two agency funds and one fund was combined with the general fund, while other fund has been reclassified and is now included with nonmajor governmental funds. These fund reclassifications were incorporated in the District's fiscal year 2021 financial statements; the effect on beginning net position was \$166,482 and fund balance was \$23,985 for the general fund and \$142,497 for all other governmental funds.

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**NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 29,852
Cash Assistance		
School Breakfast Program	10.553	126,011
COVID-19 - School Breakfast Program		9,797
National School Lunch Program	10.555	343,966
COVID-19 - National School Lunch Program		29,062
Total Child Nutrition Cluster		<u>538,688</u>
Total U.S. Department of Agriculture		<u>538,688</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
<i>Passed Through Ohio Department of Education</i>		
COVID-19 - Coronavirus Relief Fund	21.019	76,332
COVID-19 - Education Stabilization Fund	84.425D	94,424
Special Education Cluster:		
Special Education - Grants to States	84.027	293,602
Special Education - Preschool Grants	84.173	9,164
Total Special Education Cluster		<u>302,766</u>
Title I Grants to Local Educational Agencies	84.010	231,624
Student Support and Academic Enrichment Program	84.424A	10,527
English Language Acquisition State Grants	84.365	1,275
Improving Teacher Quality Grants to States	84.367	41,366
Total U.S. Department of Education		<u>758,314</u>
Total Federal Awards Expenditures		<u>\$ 1,297,002</u>

The accompanying notes are an integral part of this schedule.

**NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Norwayne Local School District, Wayne County, (the District) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Norwayne Local School District
Wayne County
161 South Main Street
Creston, Ohio 44217

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Norwayne Local School District, Wayne County, (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GAS) Statement No. 84 *Fiduciary Activities*, and the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

Norwayne Local School District
Wayne County
161 South Main Street
Creston, Ohio 44217

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Norwayne Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Norwayne Local School District's major federal program for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Norwayne Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 14, 2021

**NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**NORWAYNE LOCAL SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2021
(Continued)**

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

FINDING NUMBER 2021-001

Noncompliance – Annual Financial Report

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

Officials' Response: See Corrective Action Plan.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



NORWAYNE LOCAL SCHOOL DISTRICT

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“Providing excellence that stands the test of time.”

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2021

Finding Number	Finding Summary	Status	Additional Information
2020-001	ORC 117.38 and OAC 117-2-03(b) – Filing GAAP Financial Statements (First issued in 2003)	Not Corrected	The District filed their financial statements on the OCBOA basis. See Finding 2021-001.

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2021

Finding Number: 2021-001

Planned Corrective Action: 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 or 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 Norwayne 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 legal requirements of other state submissions such as the five-year forecast and annual required tax budget.

Anticipated Completion Date: N/A

Responsible Contact Person: Sandy Hadsell, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



NORWAYNE LOCAL SCHOOL DISTRICT

WAYNE 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 1/25/2022

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