WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

We have reviewed the *Independent Auditor's Report* of the Wayne Local School District, Warren County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 21, 2018

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WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Wayne Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 Wayne Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Wayne Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the Wayne Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
September 24, 2018

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2018

As Management of Wayne Local Schools, we offer readers of Wayne Local Schools' financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the District's financial results.

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

- The Net position of governmental activities increased by $28,258,800. Excluding the impact of bond issuance, the increase was $2,560,193. At the close of the 2018 fiscal year, Wayne Local Schools' governmental funds reported a cash fund balance of $43,448,151. Of this amount $14,363,789 are unassigned funds that are available for spending to support operations at Management's discretion.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found starting on page 10 of the report.

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

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

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

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

The cash basis governmental fund financial statements can be found on pages 12-14 of this report.

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

The basic fiduciary fund financial statements can be found on pages 15- 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 17 to 43 of this report.

Government-Wide Financial Analysis

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

Table 1
Net Position

	2018	2017
Cash	$ 43,448,151	$ 15,189,351
Total Assets	$ 43,448,151	$ 15,189,351
Net Position		
Restricted for:		
Debt Service	1,085,066	670,171
Capital Outlay	26,886,258	1,224,253
Severance Payments	130,749	151,900
Cafeteria	116,560	134,966
Activity Funds	223,930	256,143
Other Funds	641,799	590,143
Total Restricted	$ 29,084,362	$ 3,027,576
Unrestricted	$ 14,363,789	$ 12,161,775
Total Net Position	$ 43,448,151	$ 15,189,351

The overall net position is up $28.2 million and is mostly reflected in our Capital Outlay. This is due to bonds issuance for a new Elementary Building. Our unrestricted cash did increase $2.2 million.

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

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

Table 2
Change in Net Position

	2018	2017
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	$ 1,773,524	$ 1,726,674
Refunding of Bonds	-	-
Operating Grants & Contributions	491,343	500,575
Total Program Cash Receipts	$ 2,264,867	$ 2,227,249
General Cash Receipts		
Property Taxes	10,704,904	9,660,637
Grants and Entitlements not Restricted to Specific Programs	5,602,295	5,540,454
Investment Earnings	270,447	158,238
Miscellaneous	35,051	15,579
Total General Cash Receipts	16,612,697	15,374,908
Issuance of Bonds/Notes for Construction	35,125,000	-
Premium Received on Bond Issuance	310,903	
Total Cash Receipts	$ 54,313,467	$ 17,602,157

Change in Net Position

	2018	2017
Expenses		
Program Cash Disbursements		
Instruction:		
Regular	$ 7,387,773	$ 7,142,108
Special	2,000,624	2,075,721
Support Services:		
Pupils	1,027,576	885,221
Instructional Staff	244,891	229,594
Board of Education	28,616	30,612
Administration	865,867	914,593
Fiscal	348,415	354,487
Business	118,887	136,314
Operation and Maintenance of Plant	878,285	829,958
Pupil Transportation	689,033	702,581
Central	80,571	206,496
Other:		
Operation of Non-Instructional/ Enterprise	76,850	33,134
Operation of Food Services	278,437	288,974
Extracurricular Activities	798,967	812,082
Capital Outlay	606,581	276,690
Debt Service:		
Principal	490,000	445,000
Interest	322,391	86,214
Retirement of Anticipation Notes	9,500,000	-
Cost of Bond Issuance	310,903	
Total Cash Disbursements	26,054,667	15,449,779
Change in Net Position	28,258,800	2,152,378
Net Position, Beginning of the Year	15,189,351	13,036,973
Net Position, End of the Year	$ 43,448,151	$ 15,189,351

Governmental Activities

Grants and entitlements not restricted to specific programs made up 10.3 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2018. Property tax receipts made up 19.7 percent of the total cash receipts for governmental activities. These two items make up a total of 30.0 percent of all cash receipts in our governmental accounts. Instruction costs comprise 36.0 percent of governmental program cash disbursements. Support services expenses makeup 16.4 percent of governmental cash disbursements.

Governmental Activities (continued)

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

Table 3
Governmental Activities

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Instruction	$ 9,388,397	$ 8,101,823	$ 9,217,829	$ 7,996,387
Support Services	4,282,141	4,282,141	4,289,856	4,289,856
Operation of Non-Instructional Services	76,850	(39,724)	33,134	(84,420)
Operation of Food Services	278,437	18,406	288,974	37,790
Extracurricular Activities	798,967	197,279	812,082	175,013
Capital Outlay	606,581	606,581	276,690	276,690
Intergovernmental	-	-	-	-
Principal	490,000	490,000	445,000	445,000
Interest and Fiscal Charges	322,391	322,391	86,214	86,214
Bond Issuance Costs	310,903	310,903		
Retirement of Anticipation Notes	9,500,000	9,500,000	-	-
Total Cash Disbursements	$ 26,054,667	$ 23,789,800	$ 15,449,779	$ 13,222,530

The District's Funds

As noted earlier, Wayne Local uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of Wayne Local Schools' Governmental Funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year. As of the end of the current fiscal year, Wayne Local's governmental funds reported a combined ending fund (cash basis) balances of $43,448,151 an increase of $28,258,800 in comparison to the previous year. This represents a 186% percent increase from the prior year. Of this amount $14,363,789 constitutes an unassigned fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is restricted, committed or assigned to indicate that the amounts are not available for new spending or for spending outside of the inherent guidelines of the fund.

The District has five major funds for 2018: The General Fund, Debt Service Fund, Building Fund, Classroom Facilities Fund, and the Permanent Improvement Fund. The General Fund is defined in accordance with the Governmental Accounting Standards Board Statement No. 54 to include the basic General Fund, the severance benefit funds and Public School Support funds. Statement No. 54 requires the classification of fund balances into five categories: 1) Non-spendable 2) Restricted 3) Committed 4) Assigned 5) Unassigned. At the end of the current fiscal year, the unassigned General Fund balance is $14,363,789.

The District's Funds (continued)

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

The unassigned General Fund balance of the Wayne Local Schools increased $2,202,014 during the fiscal period ending June 30, 2018. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. Our revenue will increase by minimal amounts as we move out past FY 2018. Property development will provide some potential revenue increases. Revenue provided by the state is expected to be flat-lined at best.

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

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

On the revenue side, actual revenues for the General Fund were $820,706 above the final revenue budgeted amount. Under state law, a district cannot budget total resources that would exceed the ultimate actual amounts. As such treasurers must be very cautious in budgeting revenues to be in compliance with state law. Districts should have actual revenues exceed budgeted amounts. Districts must use the county auditor's forecast of what is termed "certified" tax revenue. Our actual tax revenue was higher by $766,736. As you can see, this was a majority of the positive revenue variance.

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

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2018 budget various factors were considered. On the revenue side we are forecasting flat-lined revenue from the state and local taxes. For many years, our state support has been frozen.

On the cost side increases in salaries are planned to occur as we will settle negotiations with the certified and non-certified unions for the contract years beginning 8/1/2018. The results of these negotiations will provide a clear picture of a majority of our expenses for the Fiscal years 2019-2021. The other major cost is medical insurance premiums. We will have a 12% increase in 2019.

We continue to be a financially sound district. We did pass our ballot issue on November 7, 2017 that will allow for a new academic buildings (elementary and fine arts), and site improvements.

Outstanding Debt

In fiscal year 2014 the District completed a second refunding of outstanding bonds. This follows the District's advance refinancing of select bonds in June of 2003. The original bonds were originally issued in 1995 for the construction of a new high school. This was an extremely positive move to save our taxpayers interest costs. The total outstanding debt as of June 30, 2018 for these bonds is $2,319,983. In 2018 the district issued $9,500,000 of Bond Anticipation Notes, $9,400,000 of bank qualified bonds and $16,225,000 of non-bank qualified bonds for construction of a new elementary and an academic/art center on the current campus site. Note 11 of the financial statements illustrate the changes in the District's long-term obligations. The Bond Anticipation notes of $9,500,000 issued in December of 2017 were paid off in March of 2018. The notes were strategically planned to ensure we could issue "Bank Qualified" bonds in 2018. Bank Qualified Bonds have lower interest rate costs.

Description	Amount Outstanding at 6/30/2017	Additions	Deductions	Amount Outstanding at 6/30/2018	Due In One Year
2014 Bonds	$ 2,785,000	$ -	$ (490,000)	$ 2,295,000	$ 515,000
2018 A Bonds		$ 9,400,000		$ 9,400,000	$ 100,000
2018 B Bonds	$ -	$ 16,225,000	$ -	$ 16,225,000	$ 470,000
Sub-total	$ 2,785,000	$ 25,625,000	$ (490,000)	$ 27,920,000	$ 1,085,000
Capital Appreciation Bonds -2003					
Issuance Value	$ 24,983	$ -	$ -	$ 24,983	
Sub-total Cap Bonds	$ 24,983	$ -	$ -	$ 24,983	

Request for information

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
June 30, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash & Cash Equivalents	$43,448,151
Total Assets	**$43,448,151**
Net Position	
Restricted For:	
Debt Service	1,085,066
Capital Outlay	26,886,258
Severance Payments	130,749
Cafeteria	116,560
Activity Funds	223,930
Other	641,799
Total Restricted	**$ 29,084,362**
Unrestricted:	**$ 14,363,789**
TOTAL NET POSITION	**$43,448,151**

Governmental Activities exclude agency and trust funds

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

		Program Cash Receipts		Net (Disbursements)
	Cash Disbursements	Charges for Services, Sales	Operating Grants and Contributions	Receipts and Changes in Net Position
Governmental Activities				
Instruction:				
Regular and Special	$ 9,388,397	$ 891,500	$ 395,074	$ (8,101,823)
Support Services:				
Pupil	1,027,576	0	0	(1,027,576)
Instructional Staff	244,891	0	0	(244,891)
Board of Education	28,616	0	0	(28,616)
Administration	865,867	0	0	(865,867)
Fiscal	348,415	0	0	(348,415)
Business	118,887	0	0	(118,887)
Operation and Maintenance of Plant	878,285	0	0	(878,285)
Pupil Transportation	689,033	0	0	(689,033)
Central	80,571	0	0	(80,571)
Other:				
Enterprise Operations	76,850	116,574	0	39,724
Operation of Food Services	278,437	163,762	96,269	(18,406)
Extracurricular Activities	798,967	601,688	0	(197,279)
Capital Outlay/Site Improvement	606,581	0	0	(606,581)
Principal and Interest Charges	812,391	0	0	(812,391)
Cost of Bond/Note Issuance	310,903			(310,903)
Bond Anticipation Notes Retired	9,500,000	0		(9,500,000)
Total Governmental Activities	$26,054,667	$1,773,524	$491,343	(23,789,800)

General Receipts:	
Property Taxes Levied for:	
General Purposes	$8,981,136
Debt Service	1,167,721
Capital Outlay	556,047
Grants and Entitlements	
Not Restricted to Specific Programs	5,602,295
Investment Earnings	270,447
Miscellaneous	35,051
Issuance of Bonds for Construction	35,125,000
Premium on Bonds Issued for Construction	310,903
Total General Receipts	52,048,600
Change in Net Position	28,258,800
Net Position Beginning of Year	15,189,351
Net Position End of Year	$43,448,151

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2018

	GENERAL FUND	DEBT SERVICE	PERMANENT IMPROVEMENT	BUILDING	CLASSROOM FACILITIES	Other Governmental Funds	Totals Governmental Funds
ASSETS:							
Equity in Pooled Cash and Cash Equivalents	$15,124,472	$1,085,066	$921,562	$8,506,249	$17,385,917	$424,885	$43,448,151
Total Assets	$15,124,472	$1,085,066	$921,562	$8,506,249	$17,385,917	$424,885	$43,448,151
Fund Balances							
RESTRICTED	$0	$1,085,066	$0	$8,506,249	$17,385,917	$352,355	$27,329,587
COMMITTED	130,749	0	921,562	0	0	$72,530	1,124,841
ASSIGNED	629,934	0	0	0	0	$0	629,934
UNASSIGNED	14,363,789	0	0	0	0	0	14,363,789
Total Fund Balances	$ 15,124,472	$ 1,085,066	$ 921,562	$ 8,506,249	$ 17,385,917	$ 424,885	$ 43,448,151

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	GENERAL	DEBT SERVICE	PERMANENT IMPROVEMENT	BUILDING	CLASSROOM FACILITIES	Other Governmental Funds	Totals Governmental Funds
CASH RECEIPTS							
Property Taxes	$8,981,136	$1,167,721	$490,365	$0	$0	$65,682	10,704,904
Intergovernmental	5,458,040	74,513	62,070	-	-	499,052	6,093,675
Interest	178,874	-	-	71,763	-	-	250,637
Rental Income	19,810	-	-	-	-	-	19,810
Tuition and Fees	891,500	-	-	-	-	-	891,500
Food Service	-	-	-	-	-	163,762	163,762
Extracurricular Activities	55,236	-	-	-	-	518,015	573,251
Miscellaneous	137,014	-	9,575	-	-	33,436	180,025
Total Receipts	15,721,610	1,242,234	562,010	71,763	0	1,279,947	18,877,564
CASH DISBURSEMENTS							
Current:							
Instruction:							
Regular	7,309,533	-	52,140	-	-	26,100	7,387,773
Special	1,635,373	-	-	-	-	365,251	2,000,624
Support Services:				-	-	-	
Pupil	1,021,835	-	-	-	-	5,741	1,027,576
Instructional Staff	180,557	-	64,334	-	-	-	244,891
Board of Education	28,616	-	-	-	-	-	28,616
Administration	865,732	-	135	-	-	-	865,867
Fiscal	328,577	14,948	5,873	(1,844)	-	861	348,415
Business	118,887	-	-	-	-	-	118,887
Operation and Maintenance of Plant	878,285	-	-	-	-	-	878,285
Pupil Transportation	688,943	-	-	-	-	90	689,033
Central	80,571	-	-	-	-	-	80,571
Enterprise Operations	71,350	-	-	-	-	5,500	76,850
Operation of Food Services	-	-	-	-	-	278,437	278,437
Extracurricular Activities	280,331	-	-	-	-	518,636	798,967
Capital Outlay/ Site Improvement	-	-	548,660	-	-	57,921	606,581
Debt service:							
Principal	-	490,000	-	-	-	-	490,000
Interest	-	322,391	-	-	-	-	322,391
Bond Issuance Costs		310,903					310,903
Total Disbursements	13,488,590	1,138,242	671,142	(1,844)	0	1,258,537	16,554,667
Excess of Receipts Over (Under) Disbursements	2,233,020	103,992	(109,132)	73,607	0	21,410	2,322,897
Other Financing Sources (Uses)							
Premium on Notes/Bonds	0	310,903	0	0	0	0	310,903
Bond and Notes Issued for Construction	0	9,500,000	0	8,239,083	17,385,917	0	35,125,000
Bond Anticipation Notes Closed	0	(9,500,000)	0	0	0	0	(9,500,000)
Total Other Financing Sources (Uses)	0	310,903	0	8,239,083	17,385,917	0	25,935,903
Net Change in Fund Balances	2,233,020	414,895	(109,132)	8,312,690	17,385,917	21,410	28,258,800
Fund Balances Beginning of Year	12,891,452	670,171	1,030,694	193,559	0	403,475	15,189,351
Fund Balances End of Year	**$15,124,472**	**$1,085,066**	**$921,562**	**$8,506,249**	**$17,385,917**	**$424,885**	**$43,448,151**

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE-BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	BUDGETED AMOUNTS			Variance with Final Budget Positive
	Original	Final Budget	Actual	(Negative)
CASH RECEIPTS				
Property Taxes	$ 8,214,400	$ 8,214,400	$ 8,981,136	$766,736
Intergovernmental	5,498,102	5,498,102	5,458,003	(40,099)
Interest	116,411	116,411	178,874	62,463
Tuition and Fees	741,804	741,804	760,768	18,964
Classroom Materials and Fees	125,455	125,455	130,732	5,277
Revenue in Lieu of Taxes	-		37	37
Miscellaneous	18,111	18,111	25,439	7,328
TOTAL CASH RECEIPTS:	$ 14,714,283	$ 14,714,283	$ 15,534,989	$ 820,706
CASH DISBURSEMENTS				
Instruction:				
Regular	$ 7,309,292	$ 7,309,292	$ 7,261,804	$ 47,488
Special	1,857,975	1,857,975	$ 1,646,912	211,063
Support Services:				
Pupil	1,025,584	1,025,584	$ 1,021,835	3,749
Instructional Staff	175,008	175,008	$ 183,587	(8,579)
Board of Education	43,727	43,727	$ 30,770	12,957
Administration	960,357	960,357	$ 876,537	83,820
Fiscal	354,331	354,331	$ 329,139	25,192
Business	171,908	171,908	$ 123,477	48,431
Operation and Maintenance of Plant	905,157	905,157	$ 982,379	(77,222)
Pupil Transportation	749,982	749,982	$ 689,625	60,357
Central	111,493	111,493	$ 73,239	38,254
Non-Instructional	654	654	$ 532	122
Extra Curricular Activities	323,121	323,121	$ 280,694	42,427
TOTAL CASH DISBURSEMENTS	$ 13,988,589	$ 13,988,589	$ 13,500,530	$ 488,059
Excess of Cash Recipts over/(under) Disbursments	$ 725,694	$ 725,694	$ 2,034,459	$ 1,308,765
Fund Balance Beginning of Year (includes prior-year encumbrances appropriated)	$ 12,329,330	$ 12,329,330	$ 12,329,330	$ -
FUND BALANCE END OF YEAR	$ 13,055,024	$ 13,055,024	$ 14,363,789	$ 1,308,765

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Trust	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	$ 33,688	$ 51,884
NET POSITION:		
Held in Trust for Scholarships	33,688	0
Held on Behalf of Students	0	51,884
Total Net Position	$ 33,688	$ 51,884

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF CHANGES IN FUND NET POSITION - CASH BASIS
FIDUCIARY FUND
June 30, 2018

	Private Purpose Trust
Additions	
Earnings on Investments/ Interest Income	25
Miscellaneous	$ 9,615
Total Additions	9,640
Deductions	
Extracurricular Activities	1
Regular Instruciton	205
Operation of Non-Instructional Services	9,749
Total Deductions	9,955
Change in Net Position	(315)
Net Position- Beginning of Year	34,003
Net Position- End of Year	$ 33,688

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

Note 1 - Description of the School District and Reporting Entity

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

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's instructional/support facilities staffed by 62 classified employees, 88 certificated full-time personnel, and 5 administrators who provide services to 1,402 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups' activities. The District currently operates three buildings situated at one site location.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent's Association:

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

Warren County Career Center

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

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

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

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

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Fund Accounting

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

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund, Building Fund, Classroom Facilities Fund, Debt Service Fund and Permanent Improvement Fund. The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law. The Building and Classroom Facilities Funds are related to new construction occurring 2018-2022. The Debt Service fund is used to account for the accumulation of resources for the payment of general obligation principal and interest and certain other long term obligations from government resources when the district is obligated in some manner for payment. The Permanent Improvement Funds accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements, technology, and bus purchases.

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

Fund Balance

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

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

Fund Balance Assets

The District's total Governmental Fund balance at the end of the 2018 fiscal year was $43,448,151 with an unassigned balance of $14,363,789. The classifications are detailed on page 12 of the Statement of Assets and Fund Balances – Cash Basis.

B. Basis of Presentation

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

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

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

Fund Financial Statements*:* Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. The District has five major governmental funds which are the "General Fund", "Building Fund", "Classroom Facilities Fund", "Debt Service Fund" and the "Permanent Improvement Fund" with the remaining labeled as "Other Governmental". See pages 12 & 13 of the financial statements to review the breakdown of the accounts. The remaining fund classification is the Fiduciary Funds. They are reported by type either private purpose which are typically scholarship funds or agency student activity funds. (See pages 15&16 of the financial statements).

C. Cash and Cash Equivalents

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The District values cash equivalents at cost. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Earnings on investments credited to the General Fund during fiscal year 2018 were $178,874 with a total of $250,637 for all funds. For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. Investments are reported at cost.

C. Cash and Cash Equivalents (continued)
During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

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

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

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

G. Long-term Obligations
Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments. See note 11 for debt obligation data. Please note that all required annual debt obligations for the year were met in a timely fashion.

H. Interfund Activity
Transfers between funds on the government-wide statements are eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. The District did not have any such transfers in fiscal year 2018.

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

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

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

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

K. Extraordinary and Special Items
Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

Note 3 - Property Taxes
Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2018 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2018 were levied after January 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. Public utility property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Public utility real property taxes received in calendar year 2018 became a lien December 31, 2017, was levied after April 1, 2017 and is collected in 2018 with real property taxes. Public utility real property is assessed at 35 percent of true value. House Bill 66 passed in 2005 phased out the tax on tangible personal property of all general business and railroad property by 2009, and the tax on telephone and telecommunications property was eliminated in 2011.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent. No advances were received by the District for the second half collections prior to June 30, 2018.

Note 3 - Property Taxes (continued)

		FIRST HALF AMOUNT	JULY-DEC 2017 % TOTAL			SECOND HALF AMOUNT	JAN-JUNE 2018 % TOTAL
AG/RES	$	214,168,310	80.2%	AG/RES	$	217,582,160	80.9%
COMMERICAL/IND	$	14,079,860	36.3%	COMMERICAL/IND	$	13,316,790	34.9%
PUBLIC UTILITY	$	38,828,930	14.5%	PUBLIC UTILITY	$	38,134,050	14.2%
TOTAL	$	267,077,100	131.0%	TOTAL	$	269,033,000	130.0%
TAX RATE PER $1,000 for AG/RES	$	38.68		TAX RATE PER $1,000 for AG/RES	$	43.34	

Note 4 - Deposits and Investments

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or Ohio local governments;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio).

Note 4 - Deposits and Investments (continued)

8. Certain banker's acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

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

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

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

Custodial Risk

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred two percent of the deposits being secured. The District's financial institution was approved for a reduced collateral rate of 102 percent through the Ohio Pooled Collateral System. Thus, for reporting purposes we provide this disclosure of exposure to custodial risk in its entirety. At year-end, the carrying amount of the District's bank balances was $978,492. The amount of the bank balances covered by federal deposit insurance was $326,887. The Securities Investor Protection Corporation (SIPC), insures investment accounts in the event of a failure, such accounts are insured up to $500,000 per account. This includes $250,000 in cash. Our investments in FFCB,FHLB,FHLM,FNMA and FGO are backed by the good faith of the government. The remainder of our cash of $923,332 is collateralized in the manner described above.

Investments

Investments are reported at cost. As of June 30, 2018 the District had the following investments:

Investment Classification	Cost as of 6/30/2018	% of Total Investment	Maturities 1-5 Years	Maturities > 5 Years
Negotiable Certificate of Deposits	$9,626,227	22.62%	$9,626,227	$0
Commercial Paper	$9,584,874	22.52%	$9,584,874	$0
Federal Home Loan Bank Notes	$8,742,344	20.54%	$8,742,344	$0
Federal Home Loan Mortgage	$5,707,935	13.41%	$5,707,935	$0
Federal National Mortgage Association Notes	$5,495,335	12.92%	$5,495,335	$0
Federal Farm Credit Bank	$2,236,500	5.26%	$2,236,500	$0
Federal Government Obligations Fund	$1,148,036	2.70%	$1,148,036	$0
Star Ohio	$13,979	0.03%	$13,979	$0
Total Investments	$42,555,230	100.00%	$42,555,230	$0

Interest Rate Risk

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

Note 4 - Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's policy allows the Treasurer to invest in those investments authorized by the Ohio Revised Code. The District has limited its investment to U.S. Government agency securities, Commercial Paper, Certificates of Deposit, and Star Ohio. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in commercial paper and Negotiable Certificates of Deposit are not rated.

The District's investments in STAR Ohio were assigned an AAAm money market rating from Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Concentration Risk

The District's policy does not limit the amount which the Treasurer may invest in any one issuer; however, State statute limits investments in commercial paper and banker's acceptances to 40% of the interim monies available for investment at any one time.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its' investment or collateral securities that are in the possession of an outside party. The district has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "payments for investments shall be made only upon the delivery of securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee." However, all of the District's investments are either insured and registered in the name of the District or at least registered in the name of the District.

Note 5 – Inter-fund Balances

No inter-fund balances exist as of June 30, 2018.

Note 6- Inter-Fund Transfers

No inter-fund cash transfers were completed for the year ended June 30, 2018.

Note 7 - Risk Management

A. Risk Pool Membership

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

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

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

Note 7 - Risk Management (continued)

B. Workers' Compensation
For fiscal year 2018 the District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Hunter Consulting. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. The 2018 estimated savings to the District was $14,254. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and 3-HAB Inc. provide administrative, cost control and actuarial services to the GRP.

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

Note 8 - Defined Benefit Pension Plans
For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

Net Pension Liability:
Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually. Ohio Revised Code limits the District obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

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

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or
		Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit	Age 62 with 10 years of service credit; or
	Age 55 with 25 years of service credit	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. Cost-of-Livings adjustments are indexed to CPI-W not greater than 2.5% with a floor of 0% beginning 1/1/2018. Ohio HB 40 granted the SERS board the right to suspend COLA increases for calendar years 2018, 2019 and 2020.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund. The District contractually required contribution to SERS was $286,218 for fiscal year 2018. To fund this amount $287,352 was withheld from the District's foundation receipts.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The District's 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.

Note 8 - Defined Benefit Pension Plans (continued)
Plan Description - State Teachers Retirement System (STRS) (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 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, member contributions are allocated among investment choices by the member, and employer contributions 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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. The District was also required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates. The District's contractually required contribution to STRS was $865,767 for fiscal year 2018, of which $857,448 was withheld from the District's state foundation receipts. The district will pay the remaining $8,319 during fiscal year 2019.

Net Pension Liability
The net pension liability was measured as of June 30, 2017 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:

Note 8 - Defined Benefit Pension Plans (continued)
Net Pension Liability (continued)

	SERS	STRS	TOTAL
Proportionate Share of the Net Pension Liability	$ 3,375,099	$ 12,566,311	$ 15,941,410
Proportion of the Net Pension Liability Prior Measurement Date	0.05916490%	0.05381866%	
Proportion of the Net Pension Liability Current Measurement Date	0.05648910%	0.05289917%	
Change In Proportionate Share	0.0026758%	0.00091949%	

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

INFLATION	3.00%	
FUTURE SALARY INCREASES INCLUDING INFLATION	3.5% to 18.20%	
COLA	2.50%	
INVESTMENT RATE OF RETURN	7.5% NET OF INVESTMENTS EXPENSE, INCLUDING INFLATION	
ACTURIAL COST METHOD	ENTRY AGE NORMAL (LEVEL PERCENT OF PAYROLL)	

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable 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.

Note 8 - Defined Benefit Pension Plans (continued)

Actuarial Assumptions – SERS

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:

ASSET CLASS	TARGET ALLOCATION	EXPECTED RATE OF RETURN
CASH	1.0%	0.50%
US EQUITY	22.5%	4.75%
INTERNATIONAL EQUITY	22.5%	7.00%
FIXED INCOME	19.0%	1.50%
PRIVATE EQUITY	10.0%	8.00%
REAL ASSETS	15.0%	5.00%
MULTI-ASSET STRATEGIES	10.0%	3.00%
TOTAL	100%	

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School Disrticts' proportionate share of the net pension liability	$ 4,683,760	$3,375,099	$ 2,278,828

Note 8 - Defined Benefit Pension Plans (continued)
Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, ,2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, 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.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Note 8 - Defined Benefit Pension Plans (continued)
Actuarial Assumptions – STRS (continued)
STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

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

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 (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportinate share of the net pension liability	$ 18,013,379	$ 12,566,311	$ 7,977,973

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. 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, 2017.

Note 9 - Defined Benefit OPEB Plans

Net OPEB Liability

For purposes of measuring the net OPEB liability, information about the fiduciary net position of the OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the 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 OPEB plans report investments at fair value.

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Note 9 - Defined Benefit OPEB Plans (continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 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 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was $23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was $29,654.

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 contribution to SERS was $39,124 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability 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:

Note 9 - Defined Benefit OPEB Plans (continued)

	SERS	STRS	Total
Proportion of the net OPEB			
liability prior measurement date	0.05701620%	0.05289917%	
Proportion of the net OPEB			
liability current measurement date	0.05701620%	0.05289917%	
Change in proportionate share	0.00000000%	0.00000000%	
Proportionate share of the net OPEB liability	$ 1,530,165	$ 2,063,930	$ 3,594,095

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, 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	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

Note 9 - Defined Benefit OPEB Plans (continued)

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

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

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

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Note 9 - Defined Benefit OPEB Plans (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	$ 1,847,869	$ 1,530,165	$ 1,278,462

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	$ 1,241,614	$ 1,530,165	$ 1,912,067

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent.

Note 9 - Defined Benefit OPEB Plans (continued)

Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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:

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

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Note 9 - Defined Benefit OPEB Plans (continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability 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 (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	$ 2,770,793	$ 2,063,930	$ 1,505,278

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,433,930	$ 2,063,930	$ 2,893,084

Note 10- Contingencies

A. Grants
The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

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

C. Foundation
District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. The District does not anticipate any adjustments.

Note 11 – Long – Term Obligations

The changes in the District's long-term obligations during fiscal year 2018 were as follows:

Governmental Activities

Description	Amount Outstanding at 6/30/2017	Additions	Deductions	Amount Outstanding at 6/30/2018	Due In One Year
2014 Bonds	$ 2,785,000	$ -	$ (490,000)	$ 2,295,000	$ 515,000
2018 A BONDS	$ -	$ 9,400,000	$ -	$ 9,400,000	$ 100,000
2018 B BONDS	$ -	$ 16,225,000		$ 16,225,000	$ 470,000
Sub-total	$ 2,785,000	$ 25,625,000	$ (490,000)	$ 27,920,000	$ 1,085,000
Capital Appreciation Bonds -2003					
Issuance Value	$ 24,983	$ -	$ -	$ 24,983	
Sub-total Cap Bonds	$ 24,983	$ -	$ -	$ 24,983	
Grand Total	$ 2,809,983	$ 25,625,000	$ (490,000)	$ 27,944,983	$ 1,085,000

All current obligation bonds outstanding were issued to provide funds for the acquisition and construction of equipment and facilities are general obligations of the District for which the full faith and credit of the district is pledged for repayment. Accordingly, payments of principal and interest relating to the liabilities are recorded as expenditures in the debt service fund. The source of payment is derived from bonded debt tax levies. The original millage passed for collection of the 1996 (final refinance date of 2014) was 5.95 mills. However due to property growth and the refinancing of select bonds the current effective tax millage is 2.0 mills. On June 24, 2003, the District issued general obligation bonds to provide funds for an advance refunding of a portion of the original issue 1996 general obligation bonds. The proceeds were used to advance refund a total of $4,255,000 of the 1996 general obligation bonds. The securities and proceeds were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The total amount of such future debt services were completely paid as of June 30, 2007. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. In 2014 the District refinanced the "then" remaining portion of the 2003 Bond amounts on November 6th 2013. This refinancing yielded a $195,460 savings or 24.9% savings of the interest we would have paid over the life of these bonds. The interest rates on the 2014 refunding bonds range from 2.125% to 4%. The 2003 bond issue was comprised of both general obligation current interest bonds with an outstanding face value of $3,300,000 which have now been refinanced, and capital appreciation bonds with a face value of $24,983 with a premium of $830,656. These CAP bonds will accrete to a value of $2,190,000 at the time of repayment over the fiscal years of 2023-2025. The total payment of $2,190,000 will be $710,000 in 2023; $730,000 in 2024; and $750,000 in 2025. These amounts are illustrated in the payment schedule below as a total of $2,190,000 under the Capital Appreciation Bonds section. The interest rates on the 2003 refinanced current interest bonds range from 1.500% to 3.850%. All of these bonds will be retired by December 2024. The capital appreciation bonds (CAB) were issued as part of an advance refunding, and the CAB'S were issued at a deep discount. The effective accretion rate including the effect of the amortization of the premium is 16.12%.

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

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

Note 11 – Long – Term Obligations (continued)

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

CURRENT INTEREST BONDS				CAPITAL APPRECIATION BONDS		
FY YEAR ENDING	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	ACCRETION	TOTAL
2019	$ 1,085,000	$ 1,013,694	$ 2,098,694	$ -	$ -	$ -
2020	$ 960,000	$ 979,838	$ 1,939,838	$ -	$ -	$ -
2021	$ 1,005,000	$ 941,788	$ 1,946,788	$ -	$ -	$ -
2022	$ 1,075,000	$ 901,753	$ 1,976,753	$ -	$ -	$ -
2023	$ 485,000	$ 871,669	$ 1,356,669	$ 9,968	$ 700,032	$ 710,000
2024-2028	$ 2,755,000	$ 4,005,994	$ 6,760,994	$ 15,015	$ 1,464,985	$ 1,480,000
2029-2033	$ 3,615,000	$ 3,387,338	$ 7,002,338	$ -	$ -	$ -
2034-2038	$ 4,440,000	$ 2,725,631	$ 7,165,631	$ -	$ -	$ -
2039-2043	$ 5,585,000	$ 1,800,228	$ 7,385,228	$ -	$ -	$ -
2044-2048	$ 6,915,000	$ 669,825	$ 7,584,825	$ -	$ -	$ -
TOTAL	$ 27,920,000	$ 17,297,758	$ 45,217,758	$ 24,983	$ 2,165,017	$ 2,190,000

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtness shall not exceed 1/10 of 1% of the property valuation of the District; however there is an exception to the rule under ORC 133.06(I) for districts engaged in a Classroom Facilities Assistance Project (CFAP). The district is engaged in a CFAP and the district used the exception. The effect of these debt limitations at June 30, 2018 is an excess total debt margin of $2,646,947 including available funds of $1,085,066 of the fiscal year-end balance of the Debt Service Fund.

Note 12 - Set-Aside Calculations

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

Set-aside Reserve Balance as of June 30, 2017	$0
Current Year Set-aside Requirement	$ 264,276
Current Year Offsets/ Disbursements	(562,010)
Totals (Negative dollar amounts indicates we exceeded the requirement)	(297,734)
Amount reserved JUNE 30, 2018---none needed	$ -

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

Note 13 – Fund Balances

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

FUND BALANCES	GENERAL	DEBT SERVICE	PERMANENT IMPROVEMENT	BUILDING	CLASSROOM FACILITIES	OTHER GOVT	TOTAL
RESTRICTED FOR							
FOOD SERVICE OPERATIONS						$ 116,560	$ 116,560
DEBT SERVICE PAYMENTS		$1,085,066					$ 1,085,066
BUILDING CONSTRUCTION				$ 8,506,249	$17,385,917		$ 25,892,166
STAFF FUNDED SCHOLARSHIPS						$ 11,865	$ 11,865
STUDENT OR DISTRICT MANAGED ACTIVITIES						$ 223,930	$ 223,930
TOTAL RESTRICTED	$ -	$ 1,085,066	$ -	$ 8,506,249	$ 17,385,917	$ 352,355	$ 27,329,587
COMMITTED TO							
SEVERANCE PAY	$ 130,749						$ 130,749
PERMANENT IMPROVEMENT			$ 921,562			$ 72,530	$ 994,092
TOTAL COMMITTED	$ 130,749	$ -	$ 921,562	$ -	$ -	$ 72,530	$ 1,124,841
TOTAL ASSIGNED TO OTHER PURPOSES							
GENERAL FUND ENCUMBRANCES	$ 186,609						$ 186,609
PUBLIC SCHOOL SUPPORT	$ 443,325						$ 443,325
							$ -
TOTAL ASSIGNED	$ 629,934	$ -	$ -	$ -	$ -	$ -	$ 629,934
UNASSIGNED	$ 14,363,789		$ -	$ -	$ -	$ -	$ 14,363,789
TOTAL FUND BALANCE	$ 15,124,472	$ 1,085,066	$ 921,562	$ 8,506,249	$ 17,385,917	$ 424,885	$ 43,448,151

Note 14 – Compliance and Accountability

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

As such the District follows the AICPA practice aide series in applying a standard of "Other Comprehensive Basis of Accounting" commonly known as "OCBOA" or what is now termed "special-purpose framework" in our financial statement presentation. The AICPA series clearly indicates that nationally, as many as 75% state and local governmental entities use a basis of accounting other than GAAP. In Ohio, many entities as pointed out in State Auditor's Bulletin 2005-002 prepare their financial statements on a cash basis.

Note 14 – Compliance and Accountability (continued)

GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user. The District's legal appropriations and cash rules require us and all Ohio Public schools to present various given statements on a cash basis and not on a GAAP basis that would include accruals or deferrals. The Wayne Local Schools Board of Education has determined that OCBOA is cost effective and provides users a clear picture of the District's results that is consistent with the legal requirements of other state submissions such as the five year forecast, appropriations, estimated resources and the annual required tax budget.

Note 15 – Budgetary Basis of Accounting

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

	Net Change in Fund Balance
Cash Basis	2,233,020
Adjustment for Encumbrances	(186,609)
Funds Budgeted Elsewhere	(11,952)
Budget Basis	2,034,459

Note 16 – Commitments

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

Fund	Year End Encumbrances
General fund	$ 194,448
Permanent improvement fund	66,826
Nonmajor governmental funds	48,409
Total	$ 309,683

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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*

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Wayne Local School District's basic financial statements and have issued our report thereon dated September 24, 2018, wherein we noted the Wayne Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Wayne Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2018-001.

Wayne Local School District's Response to Findings

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

Purpose of this Report

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

Julian & Grube, Inc.

Julian & Grube, Inc.
September 24, 2018

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Material Noncompliance

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

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

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

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

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

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

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

Finding Number	2018-002

Significant Deficiency - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board of Education with objective and timely information to enable well-informed decisions.

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-002 - (Continued)

The following audit adjustments were made to correct misstatements identified in the audit of the Wayne Local School District's financial statements and note disclosures.

It was necessary to record an audit adjustment to increase Intergovernmental Receipts by $90,893 and increase Fund Balance by the same amount within the General fund on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds. It was also necessary to decrease Intergovernmental Receipts by $90,893 and decrease Fund Balances by the same amount within the Debt Service fund on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds.

The District's financial statements and records have been adjusted to reflect these adjustments.

The presentation of materially correct financial statements and related footnotes is the responsibility of management.

We recommend that the District implement additional control procedures that enable management to timely record information/transactions in their accounting system as well as prevent or detect and correct potential misstatements in the financial statements and related footnotes prior to filing.

Client Response: This was related to the allocation of homestead and rollback receipts which are often electronically deposited to the District's bank account without supporting documentation. Typically, this allocation is obtained and properly recorded. In addition, the District had numerous complex tax/fund posting due to the issuance of debt that caused normal analytics to be skewed. The District will implement additional internal controls to help ensure this allocation is posted properly in future years.

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	Not Corrected	Finding repeated as 2018-001 as the District did not prepare its annual financial report in accordance with generally accepted accounting principles.

WAYNE LOCAL SCHOOL DISTRICT

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2019