

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***



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

We have reviewed the *Independent Auditor's Report* of the Wayne Local School District, Warren County, prepared by Julian & Grube, Inc., for the audit period July 1, 2018 through June 30, 2019. 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

Keith Faber
Auditor of State
Columbus, Ohio

February 12, 2020

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2019, 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, 2019, 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 Matter

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 26, 2019, 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.
September 26, 2019

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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 \$52,036. Excluding the impact of construction, the increase was \$2,063,683. At the close of the 2019 fiscal year, Wayne Local Schools' governmental funds reported a cash fund balance of \$43,500,187. Of this amount \$15,521,502 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.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

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

The cash basis governmental fund financial statement can be found on pages 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 42 of this report.

Government-Wide Financial Analysis

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

Table 1
Net Position

	2019	2018
Cash	\$ 43,500,187	\$ 43,448,151
Total Assets	\$ 43,500,187	\$ 43,448,151
 Net Position		
Restricted for:		
Debt Service	884,393	1,085,066
Capital / PI Related	25,779,277	26,886,258
Severance Payments	130,749	130,749
Cafeteria	68,685	116,560
Activity Funds	232,910	223,930
Other Funds*	882,671	641,799
Total Restricted	\$ 27,978,685	\$ 29,084,362
Unrestricted	\$ 15,521,502	\$ 14,363,789
Total Net Position	\$ 43,500,187	\$ 43,448,151

*Other funds and 2020 Appropriations > 2020 Revenue

The overall net position is up \$52 thousand and is mostly reflected in our Capital Outlay. Our unrestricted cash did increase \$1.2 million.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

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

	2019	2018
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,828,825	\$ 1,773,524
Operating Grants & Contributions	570,151	491,343
Total Program Cash Receipts	\$ 2,398,976	\$ 2,264,867
General Cash Receipts		
Property Taxes	11,206,608	10,704,904
Grants and Entitlements not Restricted to Specific Programs	5,532,792	5,602,295
Grants Restricted for Ohio Facilities Construction Commission	226,200	-
Investment Earnings	814,856	270,447
Miscellaneous	87,595	35,051
Total General Cash Receipts	17,868,051	16,612,697
Issuance of Bonds/Notes for Construction	-	35,125,000
Premium Received on Bond Issuance	-	310,903
Total Cash Receipts	\$ 20,267,027	\$ 54,313,467

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

Change in Net Position

	<u>2019</u>	<u>2018</u>
Expenses		
Program Cash Disbursements		
Instruction:		
Regular	\$ 7,994,047	\$ 7,387,773
Special	2,136,757	2,000,624
Support Services:		
Pupils	1,123,500	1,027,576
Instructional Staff	254,652	244,891
Board of Education	36,373	28,616
Administration	935,247	865,867
Fiscal	343,771	348,415
Business	99,907	118,887
Operation and Maintenance of Plant	974,678	878,285
Pupil Transportation	700,997	689,033
Central	73,540	80,571
Other:		
Operation of Non-Instructional/ Enterprise	85,174	76,850
Operation of Food Services	283,780	278,437
Extracurricular Activities	836,028	798,967
Capital Outlay	2,237,847	606,581
Debt Service:		
Principal	1,085,000	490,000
Interest	1,013,693	322,391
Retirement of Anticipation Notes	-	9,500,000
Cost of Bond Issuance	-	310,903
Total Cash Disbursements	<u>20,214,991</u>	<u>26,054,667</u>
Change in Net Position	<u>52,036</u>	<u>28,258,800</u>
Net Position, Beginning of the Year	<u>43,448,151</u>	<u>15,189,351</u>
Net Position, End of the Year	<u>\$ 43,500,187</u>	<u>\$ 43,448,151</u>

Governmental Activities

Grants and entitlements not restricted to specific programs made up 27.3 percent of cash receipts for governmental activities of the Wayne Local School District for fiscal year 2019. Property tax receipts made up 55.3 percent of the total cash receipts for governmental activities. These two items make up a total of 82.6 percent of all cash receipts in our governmental accounts. Instruction costs comprise 50.1 percent of governmental program cash disbursements. Support services expenses makeup 22.5 percent of governmental cash disbursements. Excluding the new construction from the total of all expenses Instruction costs comprise 56.4 percent of governmental program cash disbursements. Support services expenses makeup 25.3 percent of governmental cash disbursements.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

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 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Instruction	\$ 10,130,804	\$ 8,718,483	\$ 9,388,397	\$ 8,101,823
Support Services	4,542,665	4,542,665	4,282,141	4,282,141
Operation of Non-Instructional Services	85,174	(41,452)	76,850	(39,724)
Operation of Food Services	283,780	47,987	278,437	18,406
Extracurricular Activities	836,028	211,792	798,967	197,279
Capital Outlay	2,237,847	2,237,847	606,581	606,581
Intergovernmental	-	-	-	-
Principal	1,085,000	1,085,000	490,000	490,000
Interest and Fiscal Charges	1,013,693	1,013,693	322,391	322,391
Bond Issuance Costs	-	-	310,903	310,903
Retirement of Anticipation Notes	-	-	9,500,000	9,500,000
Total Cash Disbursements	<u>\$ 20,214,991</u>	<u>\$ 17,816,015</u>	<u>\$ 26,054,667</u>	<u>\$ 23,789,800</u>

The District's Funds

As noted earlier Wayne Local uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of Wayne Local Schools' Governmental Funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year. As of the end of the current fiscal year Wayne Local's governmental funds reported a combined ending fund (cash basis) balances of \$43,500,187 an increase of \$52,036 in comparison to the previous year. This represents a .1% percent increase from the prior year. Of this amount \$15,521,502 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 2019: 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: Non-spendable 2) Restricted 3) Committed 4) Assigned 5) Unassigned. At the end of the current fiscal year the unassigned General Fund balance is \$15,521,502.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

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 \$1,157,713 during the fiscal period ending June 30, 2019. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. Our revenue growth will continue to be minimal for future years. Property development will provide some potential revenue increases. Revenue provided by the state is expected to be flat-lined at best.

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

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

On the revenue side, actual revenues for the General Fund were \$419,484 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 property tax revenue was higher by \$297,608. 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.

WAYNE LOCAL SCHOOLS
Management's Discussion and Analysis (continued)
For the Year Ended June 30, 2019

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2020 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 for teachers and support union staff in line with the certified and non-certified contract years that began 8/1/2018. We are adding two employees to assist with special needs intervention and one employee for student behavior. We are adding one assistant Principal in the elementary building. The other major cost driver is medical insurance premiums. We will have a 22% increase in 2020. We will be challenged to avoid deficit spending by fiscal year 2021.

Our building projects are underway and the ground breaking for the new elementary will occur in August or September of this year, 2019.

Outstanding Debt

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

Description	Amount			Amount	
	Outstanding at 6/30/2018	Additions	Deductions	Outstanding at 6/30/2019	Due In One Year
2014 Bonds	\$ 2,295,000	\$ -	\$ (515,000)	\$ 1,780,000	\$ 560,000
2018 A Bonds	\$ 9,400,000	\$ -	\$ (100,000)	\$ 9,300,000	\$ 50,000
2018 B Bonds	\$ 16,225,000	\$ -	\$ (470,000)	\$ 15,755,000	\$ 350,000
Sub-total	\$ 27,920,000	\$ -	\$ (1,085,000)	\$ 26,835,000	\$ 960,000

Capital Appreciation

Bonds -2003

Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983	\$0.0
Sub-total Cap Bonds	\$ 24,983	\$ -	\$ -	\$ 24,983	\$0.0
Grand Total	\$ 27,944,983	\$ -	\$ (1,085,000)	\$ 26,859,983	\$ 960,000

Request for information

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

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash & Cash Equivalents	\$ 43,500,187
Total Assets	\$ 43,500,187
 Net Position	
Restricted For:	
Debt Service	884,393
Capital Outlay	25,779,277
Severance Payments	130,749
Cafeteria	68,685
Activity Funds	232,910
Other	882,671
Total Restricted	\$ 27,978,685
Unrestricted:	\$ 15,521,502
TOTAL NET POSITION	\$ 43,500,187

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, 2019**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services, Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction:				
Regular and Special	\$ 10,130,804	\$ 929,676	\$ 482,645	\$ (8,718,483)
Support Services:				
Pupil	1,123,500	-	-	(1,123,500)
Instructional Staff	254,652	-	-	(254,652)
Board of Education	36,373	-	-	(36,373)
Administration	935,247	-	-	(935,247)
Fiscal	343,771	-	-	(343,771)
Business	99,907	-	-	(99,907)
Operation and Maintenance of Plant	974,678	-	-	(974,678)
Pupil Transportation	700,997	-	-	(700,997)
Central	73,540	-	-	(73,540)
Other:				
Enterprise Operations	85,174	126,626	-	41,452
Operation of Food Services	283,780	148,287	87,506	(47,987)
Extracurricular Activities	836,028	624,236	-	(211,792)
Capital Outlay/Site Improvement	2,237,847	-	-	(2,237,847)
Principal and Interest Charges	2,098,693	-	-	(2,098,693)
Total Governmental Activities	<u>\$ 20,214,991</u>	<u>\$ 1,828,825</u>	<u>\$ 570,151</u>	<u>\$ (17,816,015)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	\$ 8,859,311
Debt Service	1,774,435
Capital Outlay	572,862

Grants and Entitlements

Not Restricted to Specific Programs	5,532,792
Grants Restricted for Ohio Facilities Construction Commission	226,200
Investment Earnings	814,856
Miscellaneous	87,595

Total General Receipts 17,868,051

Change in Net Position 52,036

Net Position Beginning of Year 43,448,151

Net Position End of Year \$ 43,500,187

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, 2019

	GENERAL FUND	DEBT SERVICE	PERMANENT IMPROVEMENT	BUILDING	CLASSROOM FACILITIES	Other Governmental Funds	Totals Governmental Funds
ASSETS:							
Equity in Pooled Cash and Cash Equivalents	\$ 16,522,652	\$ 884,393	\$ 989,396	\$ 7,078,988	\$ 17,446,929	\$ 577,829	\$ 43,500,187
<i>Total Assets</i>	<u>\$ 16,522,652</u>	<u>\$ 884,393</u>	<u>\$ 989,396</u>	<u>\$ 7,078,988</u>	<u>\$ 17,446,929</u>	<u>\$ 577,829</u>	<u>\$ 43,500,187</u>
Fund Balances							
RESTRICTED	\$ -	\$ 884,393	\$ -	\$ 7,078,988	\$ 17,446,929	\$ 313,865	\$ 25,724,175
COMMITTED	130,749	-	989,396	-	-	263,964	1,384,109
ASSIGNED	870,401	-	-	-	-	-	870,401
UNASSIGNED	15,521,502	-	-	-	-	-	15,521,502
<i>Total Fund Balances</i>	<u>\$ 16,522,652</u>	<u>\$ 884,393</u>	<u>\$ 989,396</u>	<u>\$ 7,078,988</u>	<u>\$ 17,446,929</u>	<u>\$ 577,829</u>	<u>\$ 43,500,187</u>

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

**WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCE:
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	GENERAL	DEBT SERVICE	PERMANENT IMPROVEMENT	BUILDING	CLASSROOM FACILITIES	Other Governmental Funds	Totals Governmental Funds
CASH RECEIPTS							
Property Taxes	\$ 8,859,311	\$ 1,774,435	\$ 379,175	\$ -	\$ -	\$ 193,687	\$ 11,206,608
Intergovernmental	5,369,674	89,758	73,397	-	226,200	570,151	6,329,180
Interest	296,043	-	899	100,541	395,241	112	792,836
Rental Income	22,020	-	-	-	-	-	22,020
Tuition and Fees	929,676	-	-	-	-	-	929,676
Food Service	-	-	-	-	-	148,287	148,287
Extracurricular Activities	56,284	-	-	-	-	460,463	516,747
Miscellaneous	153,003	-	56,776	-	-	111,894	321,673
Total Receipts	15,686,011	1,864,193	510,247	100,541	621,441	1,484,594	20,267,027
CASH DISBURSEMENTS							
Current:							
Instruction:							
Regular	7,691,912	-	288,054	-	-	14,081	7,994,047
Special	1,751,005	-	-	-	-	385,752	2,136,757
Support Services:							
Pupil	1,040,097	-	-	-	-	83,403	1,123,500
Instructional Staff	254,652	-	-	-	-	-	254,652
Board of Education	34,373	2,000	-	-	-	-	36,373
Administration	934,550	-	697	-	-	-	935,247
Fiscal	315,806	21,666	4,046	-	-	2,253	343,771
Business	99,907	-	-	-	-	-	99,907
Operation and Maintenance of Plant	974,678	-	-	-	-	-	974,678
Pupil Transportation	672,524	-	-	-	-	28,473	700,997
Central	73,540	-	-	-	-	-	73,540
Enterprise Operations	81,174	-	-	-	-	4,000	85,174
Operation of Food Services	-	-	-	-	-	283,780	283,780
Extracurricular Activities	306,120	-	-	-	-	529,908	836,028
Capital Outlay/ Site Improvement	-	-	149,616	1,527,802	560,429	-	2,237,847
Debt service:							
Principal	57,493	1,027,507	-	-	-	-	1,085,000
Interest	-	1,013,693	-	-	-	-	1,013,693
Total Disbursements	14,287,831	2,064,866	442,413	1,527,802	560,429	1,331,650	20,214,991
Net Change in Fund Balances	1,398,180	(200,673)	67,834	(1,427,261)	61,012	152,944	52,036
Fund Balances Beginning of Year	15,124,472	1,085,066	921,562	8,506,249	17,385,917	424,885	43,448,151
Fund Balances End of Year	\$ 16,522,652	\$ 884,393	\$ 989,396	\$ 7,078,988	\$ 17,446,929	\$ 577,829	\$ 43,500,187

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, 2019**

	BUDGETED AMOUNTS			Variance with Final Budget Positive (Negative)
	Original	Final Budget	Actual	
CASH RECEIPTS				
Property Taxes	\$ 8,561,703	\$ 8,561,703	\$ 8,859,311	\$ 297,608
Intergovernmental	5,367,109	5,367,109	5,369,637	2,528
Interest	200,000	200,000	296,043	96,043
Tuition and Fees	779,013	779,013	779,964	951
Classroom Materials and Fees	133,015	133,015	149,712	16,697
Revenue in Lieu of Taxes	37	37	37	-
Miscellaneous	25,125	25,125	30,782	5,657
TOTAL CASH RECEIPTS:	\$ 15,066,002	\$ 15,066,002	\$ 15,485,486	\$ 419,484
CASH DISBURSEMENTS				
Instruction:				
Regular	\$ 8,018,329	\$ 8,013,651	\$ 7,683,759	\$ 329,892
Special	1,822,357	1,822,357	1,742,595	79,762
Support Services:				
Pupil	1,091,521	1,091,521	1,040,127	51,394
Instructional Staff	198,851	198,851	254,652	(55,801)
Board of Education	40,611	40,611	34,520	6,091
Administration	976,125	976,125	952,674	23,451
Fiscal	349,255	349,255	318,476	30,779
Business	128,842	128,842	99,907	28,935
Operation and Maintenance of Plant	1,035,529	1,035,529	1,042,670	(7,141)
Pupil Transportation	738,278	738,278	711,742	26,536
Central	76,246	76,246	68,594	7,652
Non-Instructional	535	535	532	3
Extra Curricular Activities	301,742	301,742	306,641	(4,899)
Debt Principal	-	-	57,493	(57,493)
TOTAL CASH DISBURSEMENTS	\$ 14,778,221	\$ 14,773,543	\$ 14,314,382	\$ 459,161
<i>Excess of Cash Receipts over/(under) Disbursements</i>	\$ 287,781	\$ 292,459	\$ 1,171,104	\$ 878,645
<i>Fund Balance Beginning of Year (includes prior-year encumbrances appropriated)</i>	\$ 14,550,398	\$ 14,550,398	\$ 14,550,398	\$ -
FUND BALANCE END OF YEAR	\$ 14,838,179	\$ 14,842,857	\$ 15,721,502	\$ 878,645

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, 2019

	Private Purpose Trust	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	\$ 33,902	\$ 60,112
	33,902	60,112
NET POSITION:		
Held in Trust for Scholarships	\$ 33,902	\$ -
Held on Behalf of Students	-	60,112
	33,902	60,112
<i>Total Net Position</i>	\$ 33,902	\$ 60,112

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
For the Fiscal Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
Additions	
Miscellaneous	\$ 9,465
Total Additions	<u>9,465</u>
Deductions	
Operation of Non-Instructional Service	<u>9,251</u>
Total Deductions	<u>9,251</u>
Change in Net Position	<u>214</u>
Net Position- Beginning of Year	<u>33,688</u>
Net Position- End of Year	<u><u>\$ 33,902</u></u>

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

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

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 1,465 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups' activities. The District currently operates three buildings situated at one site location.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent's Association:

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

Warren County Career Center

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

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

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

Southwestern Ohio Educational Purchasing Council

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

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

Southwestern Ohio Computer Association (SWOCA)

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

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOL

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

MEDICAL AND DENTAL BENEFITS

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as 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 Fund accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements, technology, and bus purchases.

Fiduciary: Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include Private Purpose Trust Funds and Agency Funds. Trust Funds account for assets held by the District under an agreement for individuals, private organizations, or other governments 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.

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

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 2019 fiscal year was \$43,500,187 with an unassigned balance of \$15,521,502. 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 2019 were \$296,043 with a total of \$792,836 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

C. Cash and Cash Equivalents (continued)

During fiscal year 2019, 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 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

D. Inventory and Prepaid 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. Inter-fund Activity

Transfers between funds on the government-wide statements are eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. The District did not have any such transfers in fiscal year 2019.

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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 in 2019.

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 2019 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2019 were levied after January 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 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 2019 represents collections of calendar year 2018 taxes. Public utility real property taxes received in calendar year 2019 became a lien December 31, 2018, was levied after April 1, 2018 and is collected in 2019 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 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, 2019.

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

Note 3 – Property Taxes (continued)

	FIRST HALF AMOUNT	JULY-DEC 2018 % TOTAL		SECOND HALF AMOUNT	JAN-JUNE 2019 % TOTAL
AG/RES	\$ 217,582,160	80.9%	AG/RES	\$ 242,073,510	81.8%
COMMERICAL/IND	\$ 13,316,790	4.9%	COMMERICAL/IND	\$ 13,491,750	4.6%
PUBLIC UTILITY	\$ 38,134,050	14.2%	PUBLIC UTILITY	\$ 40,467,340	13.7%
TOTAL	\$ 269,033,000	100.0%	TOTAL	\$ 296,032,600	100.0%
TAX RATE PER \$1,000 for AG/RES			TAX RATE PER \$1,000 for AG/RES		
	\$ 43.34			\$ 40.38	

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 and with certain limitations including a requirement for maturity within ten years from the date of the settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Note 4 – Deposits and Investments (continued)

8. Certain banker’s acceptances and commercial paper notes for a period not to exceed 180 days and 270 days, respectively, in an amount not to exceed 40% 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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. 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 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 \$1,487,819. The amount of the bank balances covered by federal deposit insurance was \$2,005,483. 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. And our CD’s and LCNB sweep account are covered by FDIC. Any residual cash (in 2019 there was none) is collateralized in the manner described above.

Investments

Investments are reported at cost. As of June 30, 2019 the District had the following investments:

Investment Classification	Cost as of	% of Total	Maturities	
	6/30/2019	Investment	Maturities 1-5 Years	> 5 Years
Negotiable Certificate of Deposits	\$6,750,000	16.03%	\$6,750,000	\$0
Commercial Paper	\$4,117,163	9.78%	\$4,117,163	\$0
Federal Home Loan Bank Notes	\$11,270,459	26.77%	\$11,270,459	\$0
Federal Home Loan Mortgage	\$9,876,829	23.46%	\$9,876,829	\$0
Federal National Mortgage Association Notes	\$3,945,245	9.37%	\$3,945,245	\$0
Federal Farm Credit Bank	\$2,236,500	5.31%	\$2,236,500	\$0
Federal Government Obligations Fund	\$1,919,462	4.56%	\$1,919,462	\$0
Treasury Bill	\$1,976,411	4.69%	\$1,976,411	\$0
Star Ohio	\$14,313	0.03%	\$14,313	\$0
Total Investments	\$42,106,382	100.0%	\$42,106,382	\$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.

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

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 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, 2019.

Note 6- Inter-Fund Transfers

No inter-fund cash transfers were completed for the year ended June 30, 2019.

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.

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

Note 7 – Risk Management (continued)

B. Workers' Compensation

For fiscal year 2019 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 2019 estimated savings to the District was \$16,161. 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 position 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.

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

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

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

Note 8 - Defined Benefit Pension Plans (continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full benefits	Age 65 with 5 years of services credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$254,273 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

Note 8 - Defined Benefit Pension Plans (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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$949,524 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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.

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

Note 8 - Defined Benefit Pension Plans (continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.05648910%	0.05289917%	
Proportion of the net pension liability current measurement date	<u>0.05628230%</u>	<u>0.05439727%</u>	
Change in proportionate share	<u>-0.00020680%</u>	<u>0.00149810%</u>	
Proportionate share of the net pension liability	\$ 3,223,392	\$ 11,960,738	\$ 15,184,130

Actuarial Assumptions - SERS

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

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

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

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

Note 8 - Defined Benefit Pension Plans (continued)

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 4,540,390	\$ 3,223,392	\$ 2,119,176

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

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, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

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.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Note 8 - Defined Benefit Pension Plans (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 17,467,084	\$ 11,960,738	\$ 7,300,364

Note 9 - Defined Benefit OPEB Plans

Net OPEB Liability/Asset

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

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

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

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

Note 9 - Defined Benefit OPEB Plans (continued)

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.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$26,566.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$35,984 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

Note 9 - Defined Benefit OPEB Plans (continued)

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

Net OPEB Liability/Asset

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.05701620%	0.05289917%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.05623900%</u>	<u>0.05439727%</u>	
Change in proportionate share	<u>-0.00077720%</u>	<u>0.00149810%</u>	
Proportionate share of the net OPEB liability	\$ 1,560,222	\$ -	\$ 1,560,222
Proportionate share of the net OPEB asset	\$ -	\$ 874,109	\$ 874,109

Actuarial Assumptions - SERS

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

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

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

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

Note 9 - Defined Benefit OPEB Plans (continued)

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

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

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

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

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

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:

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

Note 9 - Defined Benefit OPEB Plans (continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. 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, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

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

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
District's proportionate share of the net OPEB liability	\$ 1,893,206	\$ 1,560,222	\$ 1,296,560

	<u>1% Decrease (6.25 % decreasing to 3.75 %)</u>	<u>Current Trend Rate (7.25 % decreasing to 4.75 %)</u>	<u>1% Increase (8.25 % decreasing to 5.75 %)</u>
District's proportionate share of the net OPEB liability	\$ 1,258,813	\$ 1,560,222	\$ 1,959,341

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

Note 9 - Defined Benefit OPEB Plans (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018		July 1, 2017
	Initial	Ultimate	
Inflation	2.50%		2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation
Payroll increases	3.00%		3.00%
Cost-of-living adjustments (COLA)	0.00%		0.00%, effective July 1, 2017
Discounted rate of return	7.45%		N/A
Blended discount rate of return	N/A		4.13%
Health care cost trends			6 to 11% initial, 4.50% ultimate
Medical			
Pre-Medicare	6.00%	4.00%	
Medicare	5.00%	4.00%	
Prescription Drug			
Pre-Medicare	8.00%	4.00%	
Medicare	-5.23%	4.00%	

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

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

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

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

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

Note 9 - Defined Benefit OPEB Plans (continued)

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

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

*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.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	District's proportionate share of the net OPEB asset	\$ 749,193	\$ 874,109

	1% Decrease	Current Trend Rate	1% Increase
	District's proportionate share of the net OPEB asset	\$ 973,168	\$ 874,109

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

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, 2019.

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, 2019 foundation funding for the District; therefore, the financial statement impact is not determinable at this time. The District does not anticipate any material adjustments.

Note 11 – Long – Term Obligations

The changes in the District’s long-term obligations during fiscal year 2019 were as follows:

Governmental Activities

Description	Amount Outstanding at 6/30/2018	Additions	Deductions	Amount Outstanding at 6/30/2019	Due In One Year
2014 Bonds	\$ 2,295,000	\$ -	\$ (515,000)	\$ 1,780,000	\$ 560,000
2018 A BONDS	\$ 9,400,000		\$ (100,000)	\$ 9,300,000	\$ 50,000
2018 B BONDS	\$ 16,225,000		\$ (470,000)	\$ 15,755,000	\$ 350,000
Sub-total	\$ 27,920,000	\$ -	\$ (1,085,000)	\$ 26,835,000	\$ 960,000
Capital Appreciation					
Bonds -2003					
Issuance Value	\$ 24,983	\$ -	\$ -	\$ 24,983	
Sub-total Cap Bonds	\$ 24,983	\$ -	\$ -	\$ 24,983	
Grand Total	\$ 27,944,983	\$ -	\$ (1,085,000)	\$ 26,859,983	\$ 960,000

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

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

Note 11 – Long – Term Obligations (continued)

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

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

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

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

FY YEAR ENDING	CURRENT INTEREST BONDS			CAPITAL APPRECIATION BONDS		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	ACCRETION	TOTAL
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	\$ 480,000	\$ 848,796	\$ 1,328,796	\$ 8,227	\$ 721,773	\$ 730,000
2025-2029	\$ 2,945,000	\$ 3,880,869	\$ 6,825,869	\$ 6,788	\$ 743,212	\$ 750,000
2030-2034	\$ 3,745,000	\$ 3,269,209	\$ 7,014,209	\$ -	\$ -	\$ -
2035-2039	\$ 4,675,000	\$ 2,558,413	\$ 7,233,413	\$ -	\$ -	\$ -
2040-2044	\$ 5,825,000	\$ 1,596,544	\$ 7,421,544	\$ -	\$ -	\$ -
2045-2048	\$ 5,640,000	\$ 435,188	\$ 6,075,188	\$ -	\$ -	\$ -
TOTAL	\$ 26,835,000	\$ 16,284,067	\$ 43,119,067	\$ 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 indebtedness shall not exceed 1/10 of 1% of the property valuation of the District; however there is an exception to the rule under ORC 133.06(I) for districts engaged in a Classroom Facilities Assistance Project (CFAP). The district is engaged in a CFAP and the district did not need to use the exception. The effect of these debt limitations at June 30, 2019 is a debt margin of \$667,344 including available funds of \$884,393 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:

note: A negative balance means we have exceeded the requirements and that the district DOES NOT have to set aside funds	Capital Improvements
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	\$ 259,192
Current Year Offsets/ Disbursements	(442,413)
Totals (Negative dollar amounts indicates we exceeded the requirement)	(183,221)
Amount reserved JUNE 30, 2019---none needed	\$ -

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

Note 12 - Set-Aside Calculations (continued)

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						\$ 68,685	\$ 68,685
DEBT SERVICE PAYMENTS		\$884,393					\$ 884,393
BUILDING CONSTRUCTION				\$7,078,988	\$ 17,446,929		\$ 24,525,917
STAFF FUNDED SCHOLARSHIPS						\$ 12,270	\$ 12,270
STUDENT OR DISTRICT MANAGED ACTIVITIES						\$ 232,910	\$ 232,910
TOTAL RESTRICTED	\$ -	\$884,393	\$ -	\$7,078,988	\$ 17,446,929	\$ 313,865	\$ 25,724,175
COMMITTED TO							
SEVERANCE PAY	\$ 130,749						\$ 130,749
PERMANENT IMPROVEMENT			\$ 989,396				\$ 989,396
CLASSROOM FACILITIES MAINTENANCE						\$ 263,964	\$ 263,964
TOTAL COMMITTED	\$ 130,749	\$ -	\$ 989,396	\$ -	\$ -	\$ 263,964	\$ 1,384,109
TOTAL ASSIGNED TO OTHER PURPOSES							
GENERAL FUND ENCUMBRANCES	\$ 181,684						\$ 181,684
<i>Ensuing Year Appropriations > resource</i>	\$ 200,000						\$ 200,000
PUBLIC SCHOOL SUPPORT	\$ 488,717						\$ 488,717
	\$ 870,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 870,401
UNASSIGNED							
	\$15,521,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,521,502
TOTAL FUND BALANCE	\$16,522,652	\$884,393	\$ 989,396	\$7,078,988	\$ 17,446,929	\$ 577,829	\$ 43,500,187

Note 14 – Compliance and Accountability

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. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

For fiscal year 2019, the District has implemented GASB Statement No. 88, “*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*”.

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

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

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	1,398,180
Adjustment for Encumbrances	(181,684)
Funds Budgeted Elsewhere	(45,392)
Budget Basis	1,171,104



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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, 2019, 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 26, 2019, 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 2019-002 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 2019-001.

Wayne Local School District's Responses 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.
September 26, 2019

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

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	2019-002
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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.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2019-002 - (Continued)

The following reclass adjustments were made. No fund balances were affected.

- It was necessary to record a reclass adjustment to increase Miscellaneous Receipts by \$56,776 and decrease Property Tax Receipts by the same amount within the Permanent Improvement fund on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds. It was also necessary to increase Miscellaneous General Receipts by \$56,776 and decrease Property Taxes Levied For Capital Outlay General Receipts by the same amount on the Statement of Activities – Cash Basis.

- It was necessary to record a reclass adjustment to increase Intergovernmental Receipts by \$226,200 and decrease Miscellaneous Receipts by the same amount within the Classroom Facilities fund on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds. It was also necessary to increase Grants Restricted for Ohio Facilities Construction Commission General Receipts by \$226,200 and decrease Grants and Entitlements Not Restricted to Specific Programs by the same amount of the Statement of Activities – Cash Basis. This misstatement then caused a subsequent misstatement to occur due to a Microsoft Excel formula error in which a reclass adjustment was necessary to increase Miscellaneous Receipts by \$226,200 and decrease Intergovernmental Receipts by the same amount within Other Governmental Funds on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds.

- It was necessary to record a reclass adjustment to increase Special Instruction Disbursements by \$271,589 and decrease Support Services: Administration Disbursements by the same amount within the IDEA Part B fund, a nonmajor governmental fund, on the Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds. It was also necessary to increase Regular and Special Instruction Disbursements and decrease Support Services: Administration Disbursements by the same amount on the Statement of Activities – Cash Basis.

The District’s financial statements 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 consider consulting with an experienced CPA firm to provide a cursory review of the financial statements prior to submission to the HINKLE system.

Client Response: In regard to findings related to the basic financial statements 2019-002, we concur with the findings. This year was challenging due to a combination of factors. Wayne Local budgets and accounts for cash balances at the fund level. In no case do the suggested corrections impact the fund level balances. The findings are sub-account coding errors, and we have addressed each concern moving forward.

In regards to the financial statement presentation the following addresses the bullet points as presented by the auditors. We are addressing our input or account coding errors. Our account codes can be up to 20 characters in length, errors can occur, and we certainly attempt to code all entries to the correct function, and receipt code. We concur with the recommended changes and address the issues one by one.

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2019-002 - (Continued)

I think it is important to point out that Cash Basis reporting entities are at a severe disadvantage to those using CPA firms to convert to GAAP statements. During the conversion this extra pair of eyes would mostly likely sort out the accounting coding issues (if any) and recommend corrections. No finding or comments would be made. Cash basis reporting saves the district both audit and preparation fees, but the State requires cash preparers to have their information on the state system "HINKLE" by August 31st of the year. This is much earlier than GAAP preparers. There is a race to get the work done vs. the slower pace of GAAP reporting. But more importantly our third party audit review comes after we have entered the data into the HINKLE system. We are audited against the HINKLE system so if any coding issues as described above are found, you have no means to avoid a finding. The above are human errors but do not impact the financial results nor one fund balance of the district. Wayne Local has strong internal controls, and we make thousands of entries during the year and we are focused on getting every entry correct.

In regards to Bullet #1, the miscellaneous receipt of \$56,726, this was an earned rebate from the Dayton Power & Light energy savings program. We invested in new LED lighting that will save the taxpayers in the use of electric and with improved lighting. We used the correct account in our system, but when we prepared our financial statements we used the wrong line to input the receipt. Total revenue is correct; we just don't have the correct description. This process to finish the statements is laborious but we need to be extra-careful in input.

Bullet #2 is due to our inexperience with the rules of receipts from the Ohio Facilities Construction Commission (OFCC). The amounts received are for the state's contribution to our building project. It was our understanding that we were to record the dollars received as miscellaneous receipts. This did not impact our fund balance at all but as above it was not the correct account. This was the first year of setting up the accounts, and we actually changed the accounts thinking we did the correct accounting. We have made the adjustment in our 2020 accounting.

Bullet #3 is due to the expense accounts needed to be for direct instruction and not support service wages. Both are wage/salary accounts. Again, no fund balances were impacted. We will review all grants to ensure the proper wage account. The fund accounting was correct, but a clerical error in selecting the wage account was made.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2004	<u>Noncompliance</u> - 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 2019-001 as the District did not prepare its annual financial report in accordance with generally accepted accounting principles.
2018-002	2018	<u>Significant Deficiency - Financial Statement Presentation</u> - Accurate financial report is required in order to provide management and citizens with objective and timely information to enable well-informed decisions. An adjustment was made to the financial statements and notes to the financial statements for the fiscal year ended June 30, 2018.	Not Corrected	Finding repeated as 2019-002 as adjustments were posted to the current year report.

OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 25, 2020**