



OHIO AUDITOR OF STATE
KEITH FABER



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY
JUNE 30, 2020**

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PAULDING COUNTY
JUNE 30, 2020

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinion

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

Accounting Basis

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

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2020, the School District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. In addition, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding these matters.

Other Matters

Supplementary Information

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

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2021

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

The management's discussion and analysis of Wayne Trace Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2020, within the limitations of the School District's cash basis of accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2020 are as follows:

- The total net position of the School District increased \$662,151 or 5.75% from fiscal year 2019's restated amount.
- General receipts accounted for \$12,760,212 or 80.77% of total governmental activities receipts. Program specific receipts accounted for \$3,037,748 or 19.23% of total governmental activities receipts.
- The School District had \$15,135,809 in disbursements related to governmental activities; \$3,037,748 of these disbursements were offset by program specific charges for services, grants or contributions. General receipts (primarily taxes) of \$12,760,212 were adequate to provide for these programs.
- The School District's major funds are the General Fund, the Permanent Improvement Fund, and the Capital Projects Fund. The General Fund had receipts of \$13,658,157 in fiscal year 2020. The disbursements and other financing uses of the General Fund, totaled \$13,356,248 in fiscal year 2020. The General Fund's cash balance increased \$301,909 from fiscal year 2019 to fiscal year 2020.
- The Permanent Improvement Fund had other financing sources of \$1,147,351 in fiscal year 2020. The Permanent Improvement Fund had \$1,196,042 in disbursements in fiscal year 2020. Cash balance of the Permanent Improvement Fund decreased \$48,691 from fiscal year 2019 to fiscal year 2020.
- The cash balance of the Capital Projects Fund remained at \$2,000,000 throughout fiscal year 2020.

Using the Basic Financial Statements

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Reporting the School District as a Whole

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

The statement of net position – cash basis and the statement of activities – cash basis answer the question, “How did we do financially during 2020?” These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

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

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

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

Governmental Funds

Most of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the School District’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various School District programs.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Since the School District is reporting on the cash basis of accounting, there are no differences in the net position and fund balances or changes in net position and changes in fund balances. Therefore, no reconciliation is necessary between such financial statements.

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

Fiduciary Funds

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

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

The table below provides a summary of the School District's net position at June 30, 2020 and June 30, 2019. Net position for 2019 has been restated as described in Note 3.

	Net Position - Cash Basis	
	Governmental	Restated
	Activities 2020	Governmental Activities 2019
<u>Assets</u>		
Equity in pooled cash and investments	\$ 12,182,645	\$ 11,520,494
<u>Net Position</u>		
Restricted	\$ 997,269	\$ 588,336
Unrestricted	11,185,376	10,932,158
Total net position	\$ 12,182,645	\$ 11,520,494

The total net cash position of the School District increased \$662,151, which represents a 5.75% increase over fiscal year 2019. This increase is the result of an overall increase in program receipts and the payment in lieu of taxes. These receipts were adequate to cover disbursements which also increased.

A portion of the School District's net cash position, \$997,269 represents resources that are subject to external restriction on how they may be used. The balance of government-wide unrestricted net position of \$11,185,376 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for fiscal year 2020 and 2019. Net position for 2019 has been restated as described in Note 3.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

	Change in Net Position - Cash Basis	
	Governmental	Restated
	Activities	Governmental
	<u>2020</u>	<u>2019</u>
Receipts:		
Program receipts:		
Charges for services and sales	\$ 1,301,240	\$ 1,254,673
Operating grants and contributions	<u>1,736,508</u>	<u>1,252,983</u>
Total program receipts	<u>3,037,748</u>	<u>2,507,656</u>
General receipts:		
Property taxes	4,009,784	3,825,282
Income taxes	1,727,612	1,628,692
Unrestricted grants	5,227,581	5,579,516
Payment in lieu of taxes	1,434,581	990,011
Investment earnings	282,324	271,717
Miscellaneous	<u>78,330</u>	<u>72,150</u>
Total general receipts	<u>12,760,212</u>	<u>12,367,368</u>
Total receipts	<u>15,797,960</u>	<u>14,875,024</u>

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Change in Net Position - Cash Basis (Continued)

	Governmental Activities <u>2020</u>	Governmental Activities <u>2019</u>
Disbursements:		
Instruction:		
Regular	5,671,602	5,513,296
Special	1,962,930	1,974,742
Vocational	109,367	102,766
Other	150,772	138,869
Support services:		
Pupil	540,609	511,046
Instructional staff	604,581	580,510
Board of education	71,868	81,748
Administration	1,069,946	1,025,555
Fiscal	426,549	403,050
Operations and maintenance	2,003,677	1,623,794
Pupil transportation	662,334	677,425
Central	174	347
Operation of non-instruction services:		
Other non-instructional services	7,232	910
Food service	506,699	506,362
Extracurricular	740,150	645,756
Debt service:		
Principal retirement	568,091	553,643
Interest and fiscal charges	<u>39,228</u>	<u>42,828</u>
 Total disbursements	 <u>15,135,809</u>	 <u>14,382,647</u>
 Change in net position	 662,151	 492,377
Net position at beginning of year (restated)	<u>11,520,494</u>	<u>N/A</u>
Net position at end of year	<u><u>\$ 12,182,645</u></u>	<u><u>\$ 11,520,494</u></u>

Governmental Activities

Governmental net position increased by \$662,151 in fiscal year 2020. Total governmental disbursements of \$15,135,809 were offset by program receipts of \$3,037,748 and general receipts of \$12,760,212. Program revenues supported 20.07% of the total governmental expenses.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 69.41% of total governmental receipts. Real estate property is reappraised every six years.

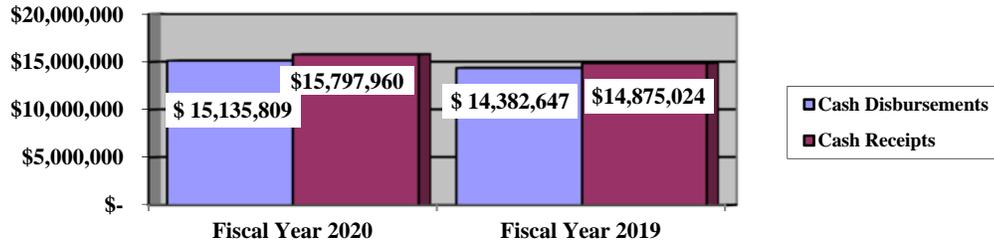
Program receipts of the School District increased \$530,092 or 21.14%. General receipts increased \$392,844 or 3.18%. Disbursements of the School District increased \$753,162 or 5.24%.

The largest cash disbursement of the School District is for instructional programs. Instruction disbursements totaled \$7,894,671 or 52.16% of total governmental disbursements for fiscal year 2020.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Governmental Activities - Total Receipts vs. Total Disbursements



Governmental Activities

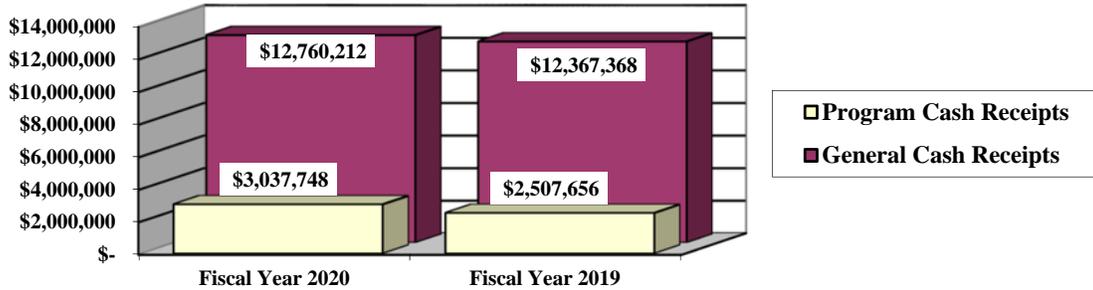
	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Disbursements:				
Instruction:				
Regular	\$ 5,671,602	\$ 4,924,470	\$ 5,513,296	\$ 4,789,061
Special	1,962,930	1,020,295	1,974,742	1,090,898
Vocational	109,367	93,088	102,766	86,487
Other	150,772	(5,383)	138,869	(9,704)
Support services:				
Pupil	540,609	283,096	511,046	511,046
Instructional staff	604,581	596,254	580,510	563,123
Board of education	71,868	71,868	81,748	81,748
Administration	1,069,946	1,051,804	1,025,555	1,010,113
Fiscal	426,549	426,549	403,050	398,770
Operations and maintenance	2,003,677	1,983,480	1,623,794	1,617,481
Pupil transportation	662,334	643,829	677,425	670,123
Central	174	174	347	347
Operation of non-instruction services:				
Other non-instructional services	7,232	(2,057)	910	910
Food service operations	506,699	16,513	506,362	50,831
Extracurricular	740,150	386,762	645,756	417,286
Debt service:				
Principal retirement	568,091	568,091	553,643	553,643
Interest and fiscal charges	39,228	39,228	42,828	42,828
Total	<u>\$ 15,135,809</u>	<u>\$ 12,098,061</u>	<u>\$ 14,382,647</u>	<u>\$ 11,874,991</u>

The dependence upon general receipts for governmental activities is apparent; with 79.93% of disbursements supported through taxes and other general receipts during 2020.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Governmental Activities - General and Program Receipts



Financial Analysis of the School District's Funds

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

Governmental Funds

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

The School District's governmental funds reported a combined fund balance of \$12,182,645, which is \$662,151 above last year's restated total of \$11,520,494. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2020 and June 30, 2019, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2020</u>	Restated Fund Balance <u>June 30, 2019</u>	<u>Change</u>
Major funds:			
General Fund	\$ 7,679,504	\$ 7,377,595	\$ 301,909
Permanent Improvement Fund	1,505,872	1,554,563	(48,691)
Capital Projects Fund	2,000,000	2,000,000	-
Nonmajor Governmental Funds	<u>997,269</u>	<u>588,336</u>	<u>408,933</u>
Total	<u>\$ 12,182,645</u>	<u>\$ 11,520,494</u>	<u>\$ 662,151</u>

General Fund

The General Fund, one of the School District's major funds, had cash receipts of \$13,658,157 in 2020. The disbursements and other financing uses of the General Fund totaled \$13,356,248 in 2020. The General Fund's fund balance increased \$301,909 from 2019 to 2020.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Receipts:</u>			
Taxes and payment in lieu of taxes	\$ 6,921,521	\$ 6,192,567	11.77 %
Tuition	762,706	727,496	4.84 %
Earnings on investments	277,241	268,004	3.45 %
Other local revenues	142,125	140,600	1.08 %
Intergovernmental - state and federal	<u>5,554,564</u>	<u>5,904,059</u>	(5.92) %
Total	<u>\$ 13,658,157</u>	<u>\$ 13,232,726</u>	3.21 %

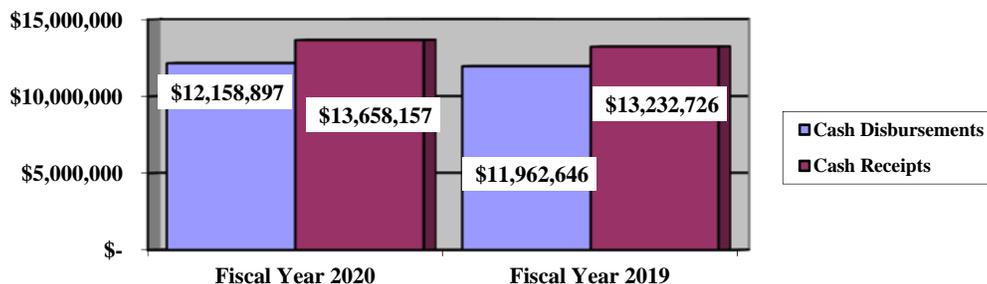
Receipts of the General Fund increased \$425,431 or 3.21%. Taxes received increased \$728,954 mainly due to the increased payment in lieu of taxes collected in fiscal year 2020. Intergovernmental revenue decreased 5.92% due to decreased school foundation basic allowance received by the School District.

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

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Disbursements</u>			
Instruction	\$ 7,112,378	\$ 6,963,604	2.14 %
Support services	4,294,673	4,239,777	1.29 %
Operation of non instruction	-	910	100.00 %
Extracurricular	368,755	379,712	(2.89) %
Debt service	<u>383,091</u>	<u>378,643</u>	1.17 %
Total	<u>\$ 12,158,897</u>	<u>\$ 11,962,646</u>	1.64 %

Disbursements of the General Fund increased \$196,251 or 1.64%. Instructional disbursements increased \$148,774 or 2.14%. This increase can mainly be attributed to an increase in elementary and middle school instructional disbursements.

General Fund - Total Receipts vs. Total Disbursements



Permanent Improvement Fund

The Permanent Improvement Fund had other financing sources of \$1,147,351 during fiscal year 2020, and the fund had \$1,196,042 of disbursements. The Permanent Improvement Fund's cash balance decreased \$48,691 or 3.13% during fiscal year 2020.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
UNAUDITED
(Continued)

Capital Projects Fund

The cash balance of the Capital Projects Fund remained at \$2,000,000 throughout fiscal year 2020.

Budgeting Highlights – General Fund

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

For the General Fund, final budget basis receipts and other financing sources of \$13,643,426 were increased by \$504,737 from the original budget estimates of \$13,138,689. Actual cash receipts and other financing sources of \$13,641,517 were less than final budget estimates by \$1,909. The final budget basis disbursements and other financing uses of \$13,632,548 were \$531,265 greater than the original budget estimates of \$13,101,283. The actual budgetary basis disbursements and other financing uses of \$13,361,964 were \$270,584 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District did not make any facilities acquisition and construction disbursements during fiscal year 2020.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2020 and 2019:

	<u>Governmental Activities 2020</u>	<u>Governmental Activities 2019</u>
2018 refunding bonds		
Current interest bonds	\$ 1,820,000	\$ 2,005,000
Judgment loan payable	<u>509,538</u>	<u>892,629</u>
Total	<u>\$ 2,329,538</u>	<u>\$ 2,897,629</u>

School District Mission Statement

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Economic Factors

The School District, like all other taxing entities in the State of Ohio, faces the uncertainty of the economy. The School District's operating receipts are composed primarily of property taxes, public utility taxes, local income tax, and state foundation funding. With a weak economy, these receipts can fluctuate in great amounts from year to year. Fiscal year 2020 budget ended with revenues over expenses. As we look to fiscal year 2021, there is a concern with COVID-19 and the Ohio Governor's order to shut down back in March 2020 how that will affect our revenues moving forward in State funding and income tax collections. The School District will be conservative in its spending in fiscal year 2021 to see how revenues are affected.

As for disbursements, the School District faces continued increases in the cost of health care for its employees. The School District also faces an ever increasing number of children requiring special education and services. Charges to provide these services increase every year. COVID-19 will add cost to the School District. The total additional cost is unknown at this time.

Current Issues

As the preceding information shows, the School District relies heavily on its local taxpayers. Wayne Trace has been blessed with strong voter support as seen with the passage of a .75% income tax renewal in 2019 and a .50% continuing income tax passed in 2004.

Property tax collections have been stable for the School District in fiscal years 2019 and 2020. The School District has also been receiving revenue from the Wind Turbine farms that are located throughout the School District. These revenue streams have helped to sustain the School District when State funding has not increased. State funding is reliant on student enrollment and it appears at this time the enrollment for fiscal year 2021 will be comparable to fiscal year 2020.

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

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

Contacting the School District's Financial Management

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

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

	<u>Governmental</u> <u>Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 12,182,645
Net Position:	
Restricted for:	
Classroom facilities maintenance	\$ 209,946
Debt service	202,731
Locally funded programs	10,000
State funded programs	293,089
Federally funded programs	26,551
Student activities	81,000
Other purposes	173,952
Unrestricted	11,185,376
Total net position	\$ 12,182,645

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

	Cash Disbursements	Program Cash Receipts		Net (Disbursement)
		Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,671,602	\$ 700,613	\$ 46,519	\$ (4,924,470)
Special	1,962,930	95,851	846,784	(1,020,295)
Vocational	109,367	-	16,279	(93,088)
Other	150,772	-	156,155	5,383
Support services:				
Pupil	540,609	-	257,513	(283,096)
Instructional staff	604,581	-	8,327	(596,254)
Board of education	71,868	-	-	(71,868)
Administration	1,069,946	18,142	-	(1,051,804)
Fiscal	426,549	-	-	(426,549)
Operations and maintenance	2,003,677	330	19,867	(1,983,480)
Pupil transportation	662,334	-	18,505	(643,829)
Central	174	-	-	(174)
Operation of non-instructional services:				
Other non-instructional services	7,232	-	9,289	2,057
Food service operations	506,699	199,586	290,600	(16,513)
Extracurricular activities	740,150	286,718	66,670	(386,762)
Debt service:				
Principal retirement	568,091	-	-	(568,091)
Interest and fiscal charges	39,228	-	-	(39,228)
Total governmental activities	\$ 15,135,809	\$ 1,301,240	\$ 1,736,508	(12,098,061)

General Receipts:

Property taxes levied for:		
General purposes		3,759,328
Debt service		200,010
Classroom facilities maintenance		50,446
Income taxes levied for:		
General purposes		1,727,612
Grants and entitlements not restricted to specific programs		5,227,581
Payments in lieu of taxes		1,434,581
Investment earnings		282,324
Miscellaneous		78,330
Total general receipts		12,760,212
Change in net position		662,151
Net position at beginning of year (restated)		11,520,494
Net position at end of year		\$ 12,182,645

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 7,679,504	\$ 1,505,872	\$ 2,000,000	\$ 997,269	\$ 12,182,645
Fund Balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 202,731	\$ 202,731
Classroom facilities maintenance	-	-	-	209,946	209,946
Food service operations	-	-	-	57,234	57,234
Non-public schools	-	-	-	35,576	35,576
Other purposes	-	-	-	83,292	83,292
Extracurricular activities	-	-	-	150,977	150,977
Student Wellness and Success	-	-	-	257,513	257,513
Committed:					
Capital improvements	-	-	2,000,000	-	2,000,000
Assigned:					
Student instruction	12,752	-	-	-	12,752
Student and staff support	36,409	-	-	-	36,409
Extracurricular activities	500	-	-	-	500
Subsequent year's appropriations	641,318	-	-	-	641,318
Capital improvement	-	1,505,872	-	-	1,505,872
Unassigned	6,988,525	-	-	-	6,988,525
Total fund balances	<u>\$ 7,679,504</u>	<u>\$ 1,505,872</u>	<u>\$ 2,000,000</u>	<u>\$ 997,269</u>	<u>\$ 12,182,645</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
From local sources:					
Property taxes	\$ 3,759,328	\$ -	\$ -	\$ 250,456	\$ 4,009,784
Income taxes	1,727,612	-	-	-	1,727,612
Payment in lieu of taxes	1,434,581	-	-	-	1,434,581
Tuition	762,706	-	-	-	762,706
Earnings on investments	277,241	-	-	6,244	283,485
Charges for services	-	-	-	199,586	199,586
Extracurricular	29,707	-	-	274,889	304,596
Classroom materials and fees	33,668	-	-	-	33,668
Rental income	330	-	-	-	330
Contributions and donations	495	-	-	9,190	9,685
Contract services	90	-	-	264	354
Other local revenues	77,835	-	-	66,962	144,797
Intergovernmental - intermediate	-	-	-	10,000	10,000
Intergovernmental - state	5,471,082	-	-	431,171	5,902,253
Intergovernmental - federal	83,482	-	-	891,041	974,523
Total receipts	13,658,157	-	-	2,139,803	15,797,960
Disbursements:					
Current:					
Instruction:					
Regular	5,478,195	154,315	-	39,092	5,671,602
Special	1,521,784	340	-	440,806	1,962,930
Vocational	109,367	-	-	-	109,367
Other	3,032	-	-	147,740	150,772
Support services:					
Pupil	533,311	7,298	-	-	540,609
Instructional staff	594,661	1,751	-	8,169	604,581
Board of education	71,868	-	-	-	71,868
Administration	1,069,448	498	-	-	1,069,946
Fiscal	417,381	-	-	9,168	426,549
Operations and maintenance	1,051,809	905,387	-	46,481	2,003,677
Pupil transportation	556,021	87,832	-	18,481	662,334
Central	174	-	-	-	174
Operation of non-instructional services:					
Other operation of non-instructional	-	698	-	6,534	7,232
Food service operations	-	-	-	506,699	506,699
Extracurricular activities	368,755	37,923	-	333,472	740,150
Debt service:					
Principal retirement	-	-	-	185,000	185,000
Interest and fiscal charges	-	-	-	39,228	39,228
Liability judgements	383,091	-	-	-	383,091
Total disbursements	12,158,897	1,196,042	-	1,780,870	15,135,809
Excess of receipts over (under) disbursements	1,499,260	(1,196,042)	-	358,933	662,151
Other financing sources (uses):					
Transfers in	-	1,147,351	-	50,000	1,197,351
Transfers out	(1,197,351)	-	-	-	(1,197,351)
Total other financing sources (uses)	(1,197,351)	1,147,351	-	50,000	-
Net change in fund balances	301,909	(48,691)	-	408,933	662,151
Fund balances at beginning of year (restated)	7,377,595	1,554,563	2,000,000	588,336	11,520,494
Fund balances at end of year	\$ 7,679,504	\$ 1,505,872	\$ 2,000,000	\$ 997,269	\$ 12,182,645

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From local sources:				
Property taxes	\$ 4,737,706	\$ 3,759,328	\$ 3,759,328	\$ -
Income taxes	1,632,408	1,727,612	1,727,612	-
Payment in lieu of taxes	-	1,434,581	1,434,581	-
Tuition	592,438	760,913	762,706	1,793
Earnings on investments	228,242	286,000	277,241	(8,759)
Classroom materials and fees	32,748	33,000	33,668	668
Rental income	595	330	330	-
Contract services	-	-	90	90
Other local revenues	180,510	102,348	77,812	(24,536)
Intergovernmental - state	5,668,042	5,473,314	5,471,082	(2,232)
Intergovernmental - federal	-	-	83,482	83,482
Total receipts	13,072,689	13,577,426	13,627,932	50,506
Disbursements:				
Current:				
Instruction:				
Regular	12,304,653	11,965,572	5,504,510	6,461,062
Special	-	-	1,521,784	(1,521,784)
Vocational	-	-	109,367	(109,367)
Other	-	-	3,032	(3,032)
Support services:				
Pupil	-	-	533,311	(533,311)
Instructional staff	500	500	594,661	(594,161)
Board of education	2,451	22,451	72,152	(49,701)
Administration	-	-	1,052,471	(1,052,471)
Fiscal	-	-	417,381	(417,381)
Operations and maintenance	13,583	13,583	1,058,226	(1,044,643)
Pupil transportation	-	-	556,021	(556,021)
Central	-	-	174	(174)
Extracurricular activities	-	-	358,432	(358,432)
Debt service:				
Liability Judgements	384,000	383,091	383,091	-
Total disbursements	12,705,187	12,385,197	12,164,613	220,584
Excess of receipts over disbursements	367,502	1,192,229	1,463,319	271,090
Other financing sources (uses):				
Refund of prior year's expenditures	15,000	15,000	13,562	(1,438)
Transfers out	(346,096)	(1,197,351)	(1,197,351)	-
Advances in	50,000	50,000	-	(50,000)
Advances out	(50,000)	(50,000)	-	50,000
Sale of capital assets	1,000	1,000	23	(977)
Total other financing sources (uses)	(330,096)	(1,181,351)	(1,183,766)	(2,415)
Net change in fund balance	37,406	10,878	279,553	268,675
Fund balance at beginning of year	7,324,717	7,324,717	7,324,717	-
Prior year encumbrances appropriated	25,573	25,573	25,573	-
Fund balance at end of year	\$ 7,387,696	\$ 7,361,168	\$ 7,629,843	\$ 268,675

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Custodial</u>
Additions:	
Extracurricular	\$ 1,635
Deductions:	
Extracurricular Activities	<u>1,635</u>
Change in net position	-
Net position at beginning of year (restated)	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1971. The School District serves an area of approximately 178 square miles consisting of the Villages of Payne and Grover Hill, and portions of Benton, Harrison, Blue Creek, Paulding, Latty, and Washington Townships. It is staffed by 51 non-certified employees and 74 certified full-time teaching personnel who provide services to 959 students and other community members.

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The reporting entity is comprised of the primary government, component units, and other organizations that are include to insure the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

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

The School District is associated with three jointly governed organizations and three group purchasing pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, State Support Team Region 1, Vantage Career Center, Southwestern Ohio Education Purchasing Council, Schools of Ohio Risk Sharing Authority, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 of the financial statements.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

(Continued)

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

B. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the School District as a whole. The statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities – Cash Basis compares disbursements with program receipts for each program or function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts, which are not classified as program receipts, are presented as general receipts of the School District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the School District.

FUND FINANCIAL STATEMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

C. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed, primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. The following are the School District's major governmental funds:

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

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

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

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

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to account for cash assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Custodial funds account for monies held on behalf of other that do not meet the definition of a trust fund. The School District's custodial fund accounts for athletic tournament monies collected and distributed on behalf of the Ohio High School Athletics Association.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund-object level for the General Fund, and fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Budgetary allocations at the object level within the General Fund, and at the function level within all other funds, are made by the Treasurer.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year.

Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2020 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

Temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and may be reported as part of restricted, committed or assigned classifications of fund balance.

Lapsing of Appropriations

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

(Continued)

E. Cash and Investments

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

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

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

During fiscal year 2020, the School District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreements and U.S. Government mutual funds. Investments are reported at cost basis.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts for the General Fund during fiscal year 2020 were \$277,241, which includes approximately \$97,843 interest assigned from other School District funds.

F. Capital Assets

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

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. Long-Term Obligations

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

J. Inventory and Prepaid Items

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

K. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

L. Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as expenditures/disbursements in the reimbursing fund and a reduction in expenditures/disbursement in the reimbursed fund.

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as Net Position, and displayed in separate components:

- a. Restricted Net Position – Consists of Net Position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted Net Position – All other Net Position that do not meet the definition of “restricted.”

Net Position restricted for other purposes include resources restricted for food service operations and student managed activities. The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted Net Position is available. There was no Net Position restricted by enabling legislation as of June 30, 2020.

O. Fund Cash Balance

The School District reports classifications of fund cash balance based on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

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Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision-making authority, the Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District’s intent to be used for specific purpose, but are neither restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District’s Board of Education. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned – Residual fund balance within the General Fund that is in spendable form that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2020, the School District has implemented GASB Statement No. 84, “Fiduciary Activities” and GASB Statement No. 90, “Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61”.

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

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GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the School District.

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund cash balance					
previously reported	\$ 7,377,595	\$ 1,554,563	\$ 2,000,000	\$ 497,626	\$ 11,429,784
GASB Statement No. 84	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,710</u>	<u>90,710</u>
Restated fund cash balance at June 30, 2019	<u>\$ 7,377,595</u>	<u>\$ 1,554,563</u>	<u>\$ 2,000,000</u>	<u>\$ 588,336</u>	<u>\$ 11,520,494</u>

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

	<u>Governmental Activities</u>
Net cash position	
as previously reported	\$ 11,429,784
GASB Statement No. 84	<u>90,710</u>
Restated net cash position at June 30, 2019	<u>\$ 11,520,494</u>

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$0. Also related to the implementation of GASB Statement No. 84, the School District will no longer be reporting agency funds or private purpose trust funds. At June 30, 2019, Agency Funds reported assets and net position of \$48,877. Private Purpose Trust Funds reported assets and net position of \$41,833.

B. Compliance

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

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred-eighty days and two-hundred-seventy days, respectively, in an amount not to exceed forty percent of the interim moneys available for investment at any one time if training requirements have been met.

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

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

A. Deposits with Financial Institutions

At June 30, 2020, the carrying amount of all School District deposits was \$5,976,188. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2020, all of the School District’s bank balance of \$6,057,186 was covered by the Federal Deposit Insurance Corporation (FDIC).

B. Investments

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

Investment type	Balance at Carrying Value	Balance at Fair Value	Investments Maturities				
			6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable CD's	\$ 5,788,000	\$ 5,904,211	\$ 1,533,227	\$ 1,966,117	\$ 410,953	\$ 913,942	\$ 1,079,972
Repurchase agreement	411,541	411,541	411,541	-	-	-	-
U.S. Government mutual fund	6,916	6,916	6,916	-	-	-	-
Total	\$ 6,206,457	\$ 6,322,668	\$ 1,951,684	\$ 1,966,117	\$ 410,953	\$ 913,942	\$ 1,079,972

The weighted average maturity of investments is 1.06 years.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker’s acceptances. The following table includes the percentage of each investment type held by the School District at June 30, 2020:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 5,788,000	\$ 5,904,211	93.38
Repurchase agreement	411,541	411,541	6.51
U.S. Government mutual fund	6,916	6,916	0.11
Total	<u>\$ 6,206,457</u>	<u>\$ 6,322,668</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 20:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,976,188
Investments	<u>6,206,457</u>
Total	<u>\$ 12,182,645</u>

<u>Cash and investments per Statement of Net Position - Cash Basis</u>	
Governmental activities	<u>\$ 12,182,645</u>

NOTE 5 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed values as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2020 represent the collection of calendar year 2019 taxes. Public utility real and personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Paulding, Van Wert and Putnam Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 171,787,830	89.69	\$ 148,543,530	81.42
Public utility personal	<u>19,757,660</u>	<u>10.31</u>	<u>33,905,060</u>	<u>18.58</u>
Total	<u>\$ 191,545,490</u>	<u>100.00</u>	<u>\$ 182,448,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$27.70		\$27.70	
Debt service	1.20		1.20	
Maintenance	0.50		0.50	

NOTE 6 – INCOME TAX

The School District levies a tax of 1.25 percent for general operations on the income of residents and of estates. Of the overall 1.25 percent taxes, .75 percent is a five-year renewable tax, last renewed in May 2020; .5 percent of the income tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

NOTE 7 – PAYMENT IN LIEU OF TAXES

According to State law and Senate Bill 232, qualifying energy projects are exempt from real and personal property taxation, instead requiring project owners to make payments in lieu of taxes based on generating capacity and other factors. The effect is to tax personal property used in a renewable or advanced energy project favorably for developers. The Ohio Department of Development certifies qualifying energy projects. Certified project owners make annual service payments in lieu of taxes to the county in which the exempted property is located. These payment in lieu of tax monies are then distributed in the same manner as the tangible personal property tax to localities and school districts. Payment in lieu of taxes, received by the School District, for such qualifying energy projects in fiscal year 2020 were \$1,434,581.

NOTE 8 – DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2020 consisted of the following:

		Balance Outstanding <u>June 30, 2019</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2020</u>	Amount Due in <u>One Year</u>
<u>Governmental Activities</u>					
2018 Refunding Bonds					
Current interest bonds	2.00-2.25%	\$ 2,005,000	\$ (185,000)	\$ 1,820,000	\$ 185,000
Judgment Loan Payable		<u>892,629</u>	<u>(383,091)</u>	<u>509,538</u>	<u>341,600</u>
Total Governmental Activities		<u>\$ 2,897,629</u>	<u>\$ (568,091)</u>	<u>\$ 2,329,538</u>	<u>\$ 526,600</u>

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

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

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

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

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

Fiscal Year Ending June 30,	<u>2018 Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 185,000	\$ 35,528	\$ 220,528
2022	190,000	31,778	221,778
2023	195,000	27,928	222,928
2024	200,000	23,978	223,978
2025	200,000	19,978	219,978
2026 - 2029	<u>850,000</u>	<u>37,385</u>	<u>887,385</u>
Total	<u>\$ 1,820,000</u>	<u>\$ 176,575</u>	<u>\$ 1,996,575</u>

Judgment Loan Payable – On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the School District in a lawsuit, which was filed as the result of an accident involving a School District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the School District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	<u>Judgment Loan</u>
2021	\$ 341,600
2022	<u>167,938</u>
Total	<u>\$ 509,538</u>

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

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Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1 percent of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2020, are a voted debt margin of \$14,803,104 (including available funds of \$202,731) and an unvoted debt margin of \$182,449.

NOTE 9 – RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with Schools of Ohio Risk Sharing Authority for property, fleet, violence and liability insurance in the amounts as follows:

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

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since fiscal year 2019.

2. Health Care Benefits

The School District participates in the Southwestern Ohio Education Purchasing Council (EPC). Southwestern Ohio Education Purchasing is a council of governments with over 40 years of shared services experience, pooling the purchasing power of 104 Ohio School Districts.

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Member districts benefit from the EPC's ability to aggregate volumes on goods and services as health and dental insurance. The EPC self-insures up to a maximum amount per individual and purchases excess coverage through Anthem Insurance.

3. Workers' Compensation

For fiscal year 2020, the School District was enrolled in the Ohio School Boards Association Workers Compensation Group Rating Plan. The program reduces the school district's premiums for Workers Compensation. Participation in the Plan is limited to School Districts that can meet the Plan's selection criteria.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

Plan Description – School Employees Retirement System (SERS)

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

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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 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14 percent.

The School District’s contractually required contribution to SERS was \$239,834 for fiscal year 2020.

Plan Description – State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent 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 the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$652,241 for fiscal year 2020.

Net Pension Liability

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

Following is information related to the proportionate share:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05007750%	0.03669153%	
Proportion of the net pension liability current measurement date	<u>0.04749490%</u>	<u>0.03844925%</u>	
Change in proportionate share	<u>-0.00258260%</u>	<u>0.00175772%</u>	
Proportionate share of the net pension liability	\$ 2,841,703	\$ 8,502,821	\$ 11,344,524

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, 2019, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.5 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net pension liability	\$ 3,982,242	\$ 2,841,703	\$ 1,885,219

Actuarial Assumptions – STRS

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

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

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 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 %	

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

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Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$12,425,925	\$ 8,502,821	\$5,181,712

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the School 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 School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School 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.

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Plan Description – School Employees Retirement System (SERS)

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

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$28,477.

The surcharge added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$28,477 for fiscal year 2020.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability/asset was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.05038660%	0.03669153%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04844040%</u>	<u>0.03844925%</u>	
Change in proportionate share	<u>-0.00194620%</u>	<u>0.00175772%</u>	
Proportionate share of the net OPEB liability	\$ 1,218,174	\$ -	\$ 1,218,174
Proportionate share of the net OPEB asset	\$ -	\$ (636,812)	\$ (636,812)

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.

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

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

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

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

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.00 %	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62 percent was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates – The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	School District's proportionate share of the net OPEB liability	\$ 1,478,632	\$ 1,218,174

	1% Decrease	Current Trend Rate	1% Increase
	School District's proportionate share of the net OPEB liability	\$ 976,004	\$ 1,218,174

Actuarial Assumptions – STRS

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

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(Continued)

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

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

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

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

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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total OPEB asset was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate – The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	Current		
	1% Decrease	Discount Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 543,392	\$ 636,812	\$ 715,356

	Current		
	1% Decrease	Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 722,115	\$ 636,812	\$ 532,336

NOTE 12 – STATUTORY RESERVES

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

Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

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

	<u>Capital Improvements</u>
Current year set-aside requirement	\$ 168,447
Current year offsets	<u>(1,147,351)</u>
Total	<u>\$ (978,904)</u>

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative – The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Seneca, Van Wert, Wood, and Wyandot Counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member educational entities.

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

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

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

NOTE 14 – GROUP PURCHASING POOLS

Southwestern Ohio Education Purchasing Council – The School District participates in the Southwestern Ohio Education Purchasing Council, a Council of Governments, defined as a purchasing pool (the Program). The Program has an eleven member Executive Board. All members of the Executive Board are elected from Superintendents, Administrators, Business Managers and Treasurers of active members of the Program. The Program is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

The School District also uses the bus bidding services and educational supply bidding services of the Program. The health program that is offered is with Anthem and the dental program offered is with Delta Dental and the Life Plan is with UNUM Life Insurance. For more information please contact Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Schools of Ohio Risk Sharing Authority – The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-Profit Corporations and functioning under authority granted by Section 2744.081 of the Ohio Revised Code. SORSA’s purpose is to provide a joint self-insurance pool to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers.

A nine person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. The School District works with UIS Insurance and Investments, a local agent as a liaison between SORSA and the School District. SORSA employs an Executive Director, Program Manager Risk Control Manager, and Claims Manager. Claims are handled in-hours by Claims Manager, Greg Gilliam. Additional information can be obtained from SORSA at 555 Metro Place North, Suite 645, Dublin, Ohio, 43017 or by calling 866-767-7299.

Ohio School Boards Association Workers’ Compensation Group Rating Plan – The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 15 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Permanent Improvement Fund	\$ 1,147,351
Nonmajor Governmental Fund	<u>50,000</u>
Total	<u>\$ 1,197,351</u>

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

NOTE 16 – CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs 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 School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, FTE statement No. 2 was made on November 27, 2020 and resulted in ODE owing the School District \$26,373. This amount is not recorded in the financial statements.

D. COVID-19

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

NOTE 17 – BUDGETARY BASIS

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Net Change in Fund Cash Balance

	<u>General Fund</u>
Cash basis	\$ 301,909
Funds budgeted elsewhere	(2,402)
Adjustment for encumbrances	(19,954)
Budget basis	\$ 279,553

Certain funds that are legally budgeted in separate Special Revenue Funds are considered part of the General Fund on a cash basis. This includes the Uniform School Supplies Fund, Public School Support Fund, Special Trust Fund, Rotary Fund and Termination Benefits Fund.

NOTE 18 – COMMITMENTS

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

<u>Fund</u>	<u>Year-end Encumbrances</u>
General Fund	\$ 19,954
Permanent Improvement Fund	147,285
Nonmajor Governmental Funds	31,970
Total	\$ 199,209

NOTE 19 – OPERATING LEASE – LESSEE AND LESSOR DISCLOSURE

The School District entered into an operating lease with ScholarBuys, LLC. for Chromebooks on June 12, 2019. The School District will rent 30 Chromebooks from ScholarBuys, LLC. over the course of three years. The future minimum lease payments as of June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2021	\$ 3,802
2022	3,803
Total minimum lease payments	\$ 7,605

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555		\$119,113
COVID-19 National School Lunch Program	10.555		92,120
Non-Cash Assistance (Food Distribution)	10.555		28,604
Total National School Lunch Program			239,837
School Breakfast Program	10.553		22,851
COVID-19 School Breakfast Program	10.553		52,817
Total School Breakfast Program			75,668
Total Child Nutrition Cluster			315,505
Total U.S. Department of Agriculture			315,505
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		158,491
Supporting Effective Instruction State Grants	84.367		30,742
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027		234,653
Special Education Preschool Grants	84.173		12,805
Total Special Education Cluster			247,458
Twenty-First Century Community Learning Centers	84.287	\$36,984	185,152
Student Support and Academic Enrichment Program	84.424		10,258
Total U.S. Department of Education		36,984	632,101
Total Expenditures of Federal Awards		\$36,984	\$947,606

The accompanying notes are an integral part of this schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Wayne Trace Local School District, Paulding County, Ohio (the School District) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D – SUBRECIPIENTS

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

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

NOTE E – CHILD NUTRITION CLUSTER

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

NOTE F – FOOD DONATION PROGRAM

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



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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements and have issued our report thereon dated January 29, 2021, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School District's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Wayne Trace Local School District, Paulding County, Ohio's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Wayne Trace Local School District's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Wayne Trace Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

January 29, 2021

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

FINDING NUMBER 2020-001

Noncompliance Citation

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

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

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

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

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

4. OTHER – FINDINGS FOR RECOVERY

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

FINDING NUMBER 2020-002

Finding For Recovery – Public Monies Collected But Unaccounted For

Brenda Combs, former cashier at Wayne Trace Local School District, was responsible for recording and depositing monies received from students for meals and food items. During fiscal year 2020, the School District identified a shortage where lunchroom deposits were \$1,649 less than the monies posted to student accounts. In addition, the School District identified \$10 that was unaccounted for in the deposits based on recorded collections per the lunchroom accounting system, Meals Plus "Transaction History by Date" reports. These discrepancies were a result of non-cash adjustments posted to the Meals Plus system by Brenda Combs, and resulted in a total discrepancy of \$1,659 between monies collected and monies deposited

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public money collected but not accounted for is hereby issued against Brenda Combs, former cashier, in the amount of \$1,659, and in favor of Wayne Trace Local School District's Food Service Fund.

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

Officials' Response:

See Corrective Action Plan



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



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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	This finding was first reported in 2004. Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2020-001 in this report.	At this time, the Wayne Trace Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement.
2019-002	This finding was first reported in 2019. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Partially corrected and reissued in the Management Letter.	Posting errors occurred and were not detected prior to filing. School District personnel will make diligent efforts to detect and correct posting errors prior to filing in the future.
2019-003	This finding was first reported in 2019. Finding for recovery for public monies collected but unaccounted for.	Not corrected and reissued as Finding 2020-002 in this report.	The theft was found at the beginning of fiscal year 2020 in September 2019. The employee has been charged but sentencing has not been done yet. Sentencing is set for December 28, 2020. The employee has made no attempt to pay the finding for recovery. Restitution to repay the School District will be set at the sentencing hearing.



**Wayne Trace Local
School District
Lori Davis, Treasurer
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Haviland, OH 45851**



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**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020**

Finding Number: 2020-001
Planned Corrective Action: At this time, the Wayne Trace Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement. The School District is aware that it may be subject to a fine for not complying with the requirement of filing the School District's financial reports based on GAAP.
Anticipated Completion Date: N/A
Responsible Contact Person: Lori Davis, Treasurer

Finding Number: 2020-002
Planned Corrective Action: When the School District discovered the theft, it was reported to the local sheriff's department. An investigator and the prosecuting attorney have been handling the case. The employee has been charged with theft. Sentencing of the employee is set for December 28, 2020 where restitution to the school will be set and will take care of the finding for recovery from fiscal year 2020 plus repayment of prior fiscal years.
Anticipated Completion Date: June 30, 2021
Responsible Contact Person: Lori Davis, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/16/2021

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

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