





**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY  
JUNE 30, 2021**

**TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	15
Statement of Activities – Cash Basis .....	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis Governmental Funds.....	17
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis Governmental Funds.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis General Fund .....	19
Statement of Fiduciary Net Position – Cash Basis Fiduciary Fund.....	20
Statement of Changes in Fiduciary Net Position – Cash Basis Fiduciary Fund .....	21
Notes to the Basic Financial Statements.....	22
Schedule of Expenditures of Federal Awards .....	51
Notes to the Schedule of Expenditures of Federal Awards.....	52
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
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 .....	55
Schedule of Findings.....	59

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY  
JUNE 30, 2021**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	62
Corrective Action Plan.....	63

# 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, 2021, 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.

***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, 2021, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the 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 Matter***

As discussed in Note 20 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 this matter.

***Other Matters***

*Supplementary Information*

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

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

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

*Other Information*

We applied no procedures to management's discussion 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 February 22, 2022, 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

February 22, 2022

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**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
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, 2021, 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 2021 are as follows:

- The total net position of the School District increased \$947,600 or 7.78 percent from fiscal year 2020's amount.
- General receipts accounted for \$12,953,027 or 80.67 percent of total governmental activities cash receipts. Program specific cash receipts accounted for \$3,104,601 or 19.33 percent of total governmental activities cash receipts.
- The School District had \$15,110,028 in cash disbursements related to governmental activities; \$3,104,601 of these cash disbursements were offset by program specific charges for services and sales and operating grants and contributions. General receipts (primarily taxes) of \$12,953,027 were adequate to provide for these programs.
- The School District's major funds are the General Fund, Permanent Improvement Fund, and Capital Projects Fund. The General Fund had cash receipts of \$13,824,864 in fiscal year 2021. The cash disbursements and other financing uses of the General Fund totaled \$13,472,211 in fiscal year 2021. The General Fund's cash balance increased \$352,653 from fiscal year 2020 to fiscal year 2021.
- The Permanent Improvement Fund had other financing sources of \$1,200,000 in fiscal year 2021. The Permanent Improvement Fund had \$738,284 in cash disbursements in fiscal year 2021. Cash balance of the Permanent Improvement Fund increased \$461,716 from fiscal year 2020 to fiscal year 2021.
- The cash balance of the Capital Projects Fund remained \$2,000,000 throughout fiscal year 2021.

**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 presented as major funds.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
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 2021?” 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 major governmental funds are the General Fund, Permanent Improvement Fund, and Capital Projects Fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

***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. 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**

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, 2021 and June 30, 2020.

	<b>Net Position - Cash Basis</b>	
	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 13,130,245	\$ 12,182,645
<u>Net Position</u>		
Restricted	\$ 1,144,349	\$ 997,269
Unrestricted	<u>11,985,896</u>	<u>11,185,376</u>
Total net position	<u>\$ 13,130,245</u>	<u>\$ 12,182,645</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

The total net cash position of the School District increased \$947,600, which represents a 7.78 percent increase over fiscal year 2020. This increase is the result of an overall increase in general receipts for property taxes and unrestricted grants. These cash receipts were adequate to cover cash disbursements.

A portion of the School District's net cash position, \$1,144,349 represents resources that are subject to external restriction on how they may be used. The balance of government-wide unrestricted net position of \$11,985,896 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for fiscal year 2021 and 2020.

	<b>Change in Net Cash Position</b>	
	Governmental Activities	Governmental Activities
	<u>2021</u>	<u>2020</u>
<b>Cash Receipts:</b>		
Program cash receipts:		
Charges for services and sales	\$ 1,114,625	\$ 1,301,240
Operating grants and contributions	<u>1,989,976</u>	<u>1,736,508</u>
 Total program cash receipts	 <u>3,104,601</u>	 <u>3,037,748</u>
 General receipts:		
Property taxes	4,386,140	4,009,784
Income taxes	1,777,681	1,727,612
Unrestricted grants	5,347,659	5,227,581
Payment in lieu of taxes	1,207,450	1,434,581
Investment earnings	208,169	282,324
Miscellaneous	<u>25,928</u>	<u>78,330</u>
 Total general receipts	 <u>12,953,027</u>	 <u>12,760,212</u>
 Total cash receipts	 <u>16,057,628</u>	 <u>15,797,960</u>

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

**Change in Net Cash Position (Continued)**

	Governmental Activities <u>2021</u>	Governmental Activities <u>2020</u>
<b>Cash Disbursements:</b>		
Instruction:		
Regular	\$ 5,910,123	\$ 5,671,602
Special	1,944,218	1,962,930
Vocational	122,862	109,367
Other	226,294	150,772
Support services:		
Pupil	650,996	540,609
Instructional staff	840,418	604,581
Board of education	74,288	71,868
Administration	1,066,348	1,069,946
Fiscal	436,623	426,549
Operations and maintenance	1,399,561	2,003,677
Pupil transportation	636,000	662,334
Central	434	174
Operation of non-instructional services:		
Other non-instructional services	6,738	7,232
Food service operations	585,150	506,699
Extracurricular activities	624,550	740,150
Debt service:		
Principal retirement	549,897	568,091
Interest and fiscal charges	<u>35,528</u>	<u>39,228</u>
Total cash disbursements	<u>15,110,028</u>	<u>15,135,809</u>
Change in net position	947,600	662,151
Net position at beginning of year	<u>12,182,645</u>	<u>11,520,494</u>
Net position at end of year	<u>\$ 13,130,245</u>	<u>\$ 12,182,645</u>

**Governmental Activities**

Governmental net cash position increased by \$947,600 in fiscal year 2021. Total governmental disbursements of \$15,110,028 were offset by program receipts of \$3,104,601 and general receipts of \$12,953,027. Program revenues supported 20.55 percent 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 79.21 percent of total governmental receipts. Real estate property is reappraised every six years.

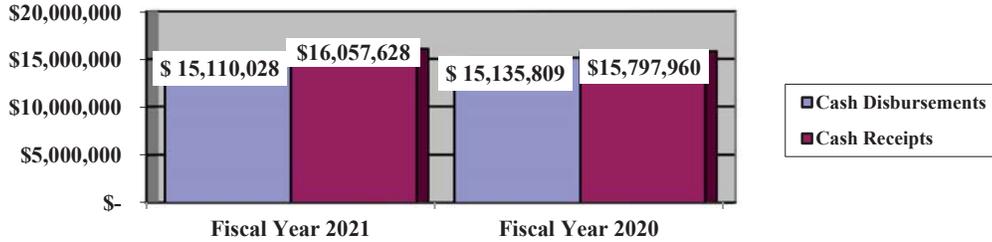
Program receipts of the School District increased \$66,853 or 2.20 percent. General receipts increased \$192,815 or 1.51 percent. Disbursements of the School District decreased \$25,781 or 0.17 percent.

The largest cash disbursement of the School District is for instructional programs. Instruction disbursements totaled \$8,203,497 or 54.29 percent of total governmental disbursements for fiscal year 2021.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

**Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements**



**Governmental Activities**

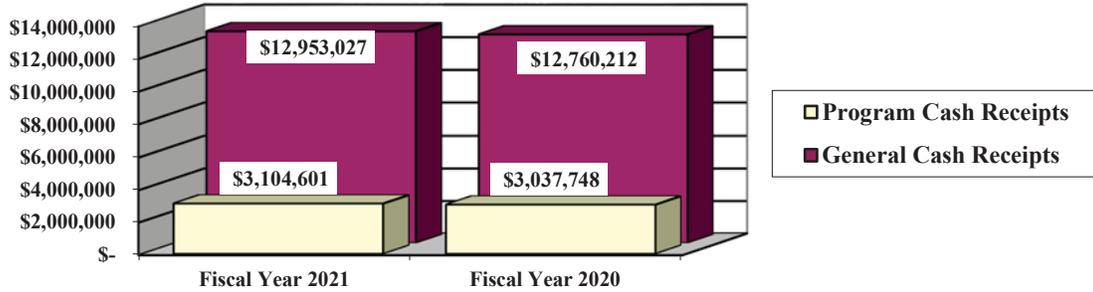
	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Cash disbursements:				
Instruction:				
Regular	\$ 5,910,123	\$ 5,174,736	\$ 5,671,602	\$ 4,924,470
Special	1,944,218	979,418	1,962,930	1,020,295
Vocational	122,862	106,583	109,367	93,088
Other	226,294	20,617	150,772	(5,383)
Support services:				
Pupil	650,996	496,847	540,609	283,096
Instructional staff	840,418	832,510	604,581	596,254
Board of education	74,288	74,288	71,868	71,868
Administration	1,066,348	1,054,307	1,069,946	1,051,804
Fiscal	436,623	433,138	426,549	426,549
Operations and maintenance	1,399,561	1,170,761	2,003,677	1,983,480
Pupil transportation	636,000	633,514	662,334	643,829
Central	434	434	174	174
Operation of non-instructional services:				
Other non-instructional services	6,738	956	7,232	(2,057)
Food service operations	585,150	71,083	506,699	16,513
Extracurricular activities	624,550	370,810	740,150	386,762
Debt service:				
Principal retirement	549,897	549,897	568,091	568,091
Interest and fiscal charges	35,528	35,528	39,228	39,228
<b>Total</b>	<u>\$ 15,110,028</u>	<u>\$ 12,005,427</u>	<u>\$ 15,135,809</u>	<u>\$ 12,098,061</u>

The dependence upon general cash receipts for governmental activities is apparent; with 79.45 percent of cash disbursements supported through taxes and other general cash receipts during 2021.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

**Governmental Activities – General and Program Cash 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 \$13,130,245, which is \$947,600 above last year’s total of \$12,182,645. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2021 and June 30, 2020, for all major and nonmajor governmental funds.

	<u>Fund Balance June 30, 2021</u>	<u>Fund Balance June 30, 2020</u>	<u>Change</u>
Major funds:			
General Fund	\$ 8,032,157	\$ 7,679,504	\$ 352,653
Permanent Improvement Fund	1,967,588	1,505,872	461,716
Capital Projects Fund	2,000,000	2,000,000	
Nonmajor Governmental Funds	<u>1,130,500</u>	<u>997,269</u>	<u>133,231</u>
Total	<u>\$ 13,130,245</u>	<u>\$ 12,182,645</u>	<u>\$ 947,600</u>

**General Fund**

The General Fund, one of the School District’s major funds, had cash receipts of \$13,824,864 in 2021. The cash disbursements and other financing uses of the General Fund totaled \$13,472,211 in 2021. The General Fund’s fund cash balance increased \$352,653 from 2020 to 2021.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

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

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Receipts:</u></b>			
Taxes and payment in lieu of taxes	\$ 7,106,970	\$ 6,921,521	2.68 %
Tuition	789,873	762,706	3.56 %
Earnings on investments	204,109	277,241	(26.38) %
Other local revenues	49,093	142,125	(65.46) %
Intergovernmental	<u>5,674,819</u>	<u>5,554,564</u>	2.16 %
Total	<u>\$ 13,824,864</u>	<u>\$ 13,658,157</u>	1.22 %

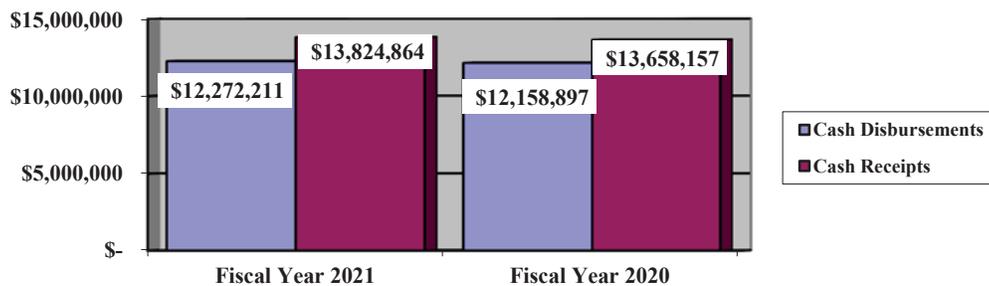
Cash receipts of the General Fund increased \$166,707 or 1.22 percent. Taxes and payment in lieu of taxes received increased \$185,449 mainly due to an increase in property taxes collected in fiscal year 2021. Intergovernmental revenue increased \$120,255 due to increased school foundation basic allowance received by the School District.

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

	<u>2021</u> <u>Amount</u>	<u>2020</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash Disbursements</u></b>			
Instruction	\$ 7,223,029	\$ 7,112,378	1.56 %
Support services	4,315,223	4,294,673	0.48 %
Extracurricular	369,062	368,755	0.08 %
Debt service	<u>364,897</u>	<u>383,091</u>	(4.75) %
Total	<u>\$ 12,272,211</u>	<u>\$ 12,158,897</u>	0.93 %

Cash disbursements of the General Fund increased \$113,314 or 0.93 percent. Instruction, support services, and extracurricular disbursements remained consistent from fiscal year 2020 to fiscal year 2021. Debt service disbursements decreased because the School District made a smaller judgement loan payment in fiscal year 2021.

**General Fund - Total Cash Receipts vs. Total Cash Disbursements**



**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

***Permanent Improvement Fund***

The Permanent Improvement Fund had other financing sources of \$1,200,000 during fiscal year 2021, and the fund had \$738,284 of cash disbursements. The Permanent Improvement Fund's cash balance increased \$461,716 or 30.66 percent during fiscal year 2021.

***Capital Projects Fund***

The cash balance of the Capital Projects Fund remained \$2,000,000 throughout fiscal year 2021.

***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 \$13,975,677 were increased by \$1,647,049 from the original budget estimates of \$12,328,628. Actual cash receipts and other financing sources of \$13,932,183 were less than final budget estimates by \$43,494. The final budget basis disbursements and other financing uses of \$13,967,263 were \$981,643 greater than the original budget estimates of \$12,985,620. The actual budgetary basis disbursements and other financing uses of \$13,628,014 were \$339,249 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 cash disbursements during fiscal year 2021.

***Debt Administration***

The School District had the following long-term obligations outstanding at June 30, 2021 and 2020:

	Governmental Activities 2021	Governmental Activities 2020
	<u>2021</u>	<u>2020</u>
2018 refunding bonds		
Current interest bonds	\$ 1,635,000	\$ 1,820,000
Judgment loan payable	<u>144,641</u>	<u>509,538</u>
Total	<u>\$ 1,779,641</u>	<u>\$ 2,329,538</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
UNAUDITED  
(Continued)

**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.

**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. The fiscal year 2021 budget ended with revenues over expenses. As we look to fiscal year 2022, the Board of Education does not anticipate any adverse changes to the revenues for the School District.

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.

**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 percent income tax renewal in 2020 and a .50 percent continuing income tax passed in 2004.

Property tax collections have been stable for the School District in fiscal years 2020 and 2021. 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 2022 will be comparable to fiscal year 2021.

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 Lori Davis, Treasurer, Wayne Trace Local School District, 4915 U.S. Highway 127, Haviland, Ohio 45851-9738.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2021

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 13,130,245
<b>Net position:</b>	
Restricted for:	
Classroom facilities maintenance	\$ 251,574
Debt service	214,023
State funded programs	470,682
Federally funded programs	4,427
Extracurricular activities	145,248
Other purposes	58,395
Unrestricted	11,985,896
Total net position	\$ 13,130,245

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, 2021

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 5,910,123	\$ 663,061	\$ 72,326	\$ (5,174,736)
Special	1,944,218	126,817	837,983	(979,418)
Vocational	122,862	-	16,279	(106,583)
Other	226,294	-	205,677	(20,617)
Support services:				
Pupil	650,996	-	154,149	(496,847)
Instructional staff	840,418	-	7,908	(832,510)
Board of education	74,288	-	-	(74,288)
Administration	1,066,348	12,041	-	(1,054,307)
Fiscal	436,623	-	3,485	(433,138)
Operations and maintenance	1,399,561	60	228,740	(1,170,761)
Pupil transportation	636,000	-	2,486	(633,514)
Central	434	-	-	(434)
Operation of non-instructional services:				
Food service operations	585,150	75,407	438,660	(71,083)
Other non-instructional services	6,738	-	5,782	(956)
Extracurricular activities	624,550	237,239	16,501	(370,810)
Debt service:				
Principal retirement	549,897	-	-	(549,897)
Interest and fiscal charges	35,528	-	-	(35,528)
Total governmental activities	<u>\$ 15,110,028</u>	<u>\$ 1,114,625</u>	<u>\$ 1,989,976</u>	<u>(12,005,427)</u>
<b>General receipts:</b>				
Property taxes levied for:				
General purposes				4,121,839
Debt service				207,222
Classroom facilities maintenance				57,079
Payments in lieu of taxes				1,207,450
Income taxes levied for:				
General purposes				1,777,681
Grants and entitlements not restricted				
to specific programs				5,347,659
Investment earnings				208,169
Miscellaneous				25,928
Total general receipts				<u>12,953,027</u>
Change in net position				947,600
<b>Net position at beginning of year</b>				<u>12,182,645</u>
<b>Net position at end of year</b>				<u>\$ 13,130,245</u>

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, 2021

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments	\$ 8,032,157	\$ 1,967,588	\$ 2,000,000	\$ 1,130,500	\$ 13,130,245
<b>Fund balances:</b>					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 214,023	\$ 214,023
Classroom facilities maintenance	-	-	-	251,574	251,574
Non-public schools	-	-	-	585	585
State funded programs	-	-	-	470,097	470,097
Federally funded programs	-	-	-	4,427	4,427
Extracurricular activities	-	-	-	145,248	145,248
Other purposes	-	-	-	58,395	58,395
Committed:					
Capital improvements	-	-	2,000,000	-	2,000,000
Assigned:					
Student instruction	9,997	-	-	-	9,997
Student and staff support	67,160	-	-	-	67,160
Extracurricular activities	1,034	-	-	-	1,034
Capital improvement	-	1,967,588	-	-	1,967,588
Unassigned (deficit)	7,953,966	-	-	(13,849)	7,940,117
<b>Total fund balances</b>	<u>\$ 8,032,157</u>	<u>\$ 1,967,588</u>	<u>\$ 2,000,000</u>	<u>\$ 1,130,500</u>	<u>\$ 13,130,245</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, 2021

	<u>General</u>	<u>Permanent Improvement</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property taxes	\$ 4,121,839	\$ -	\$ -	\$ 264,301	\$ 4,386,140
Income taxes	1,777,681	-	-	-	1,777,681
Intergovernmental	5,674,819	-	-	1,641,801	7,316,620
Investment earnings	204,109	-	-	4,753	208,862
Tuition and fees	789,873	-	-	-	789,873
Extracurricular	22,785	-	-	225,919	248,704
Rental income	60	-	-	-	60
Charges for services	5	-	-	75,668	75,673
Contributions and donations	-	-	-	3,600	3,600
Payment in lieu of taxes	1,207,450	-	-	-	1,207,450
Miscellaneous	26,243	-	-	16,722	42,965
<b>Total receipts</b>	<b>13,824,864</b>	<b>-</b>	<b>-</b>	<b>2,232,764</b>	<b>16,057,628</b>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	5,656,955	177,893	-	75,275	5,910,123
Special	1,436,612	6,889	-	500,717	1,944,218
Vocational	122,862	-	-	-	122,862
Other	6,600	-	-	219,694	226,294
<b>Support services:</b>					
Pupil	581,182	1,495	-	68,319	650,996
Instructional staff	628,197	203,731	-	8,490	840,418
Board of education	74,288	-	-	-	74,288
Administration	1,066,348	-	-	-	1,066,348
Fiscal	421,864	-	-	14,759	436,623
Operations and maintenance	988,616	259,235	-	151,710	1,399,561
Pupil transportation	554,294	79,275	-	2,431	636,000
Central	434	-	-	-	434
<b>Operation of non-instructional services:</b>					
Food service operations	-	-	-	585,150	585,150
Other non-instructional services	-	2,455	-	4,283	6,738
Extracurricular activities	369,062	7,311	-	248,177	624,550
<b>Debt service:</b>					
Principal retirement	-	-	-	185,000	185,000
Interest and fiscal charges	-	-	-	35,528	35,528
Liability Judgments	364,897	-	-	-	364,897
<b>Total disbursements</b>	<b>12,272,211</b>	<b>738,284</b>	<b>-</b>	<b>2,099,533</b>	<b>15,110,028</b>
Excess of receipts over (under) disbursements	1,552,653	(738,284)	-	133,231	947,600
<b>Other financing sources (uses):</b>					
Transfers in	-	1,200,000	-	-	1,200,000
Transfers (out)	(1,200,000)	-	-	-	(1,200,000)
<b>Total other financing sources (uses)</b>	<b>(1,200,000)</b>	<b>1,200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	352,653	461,716	-	133,231	947,600
<b>Fund balances at beginning of year</b>	<b>7,679,504</b>	<b>1,505,872</b>	<b>2,000,000</b>	<b>997,269</b>	<b>12,182,645</b>
<b>Fund balances at end of year</b>	<b>\$ 8,032,157</b>	<b>\$ 1,967,588</b>	<b>\$ 2,000,000</b>	<b>\$ 1,130,500</b>	<b>\$ 13,130,245</b>

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, 2021

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts:</b>				
Property taxes	\$ 3,716,807	\$ 4,121,839	\$ 4,121,839	\$ -
Income taxes	1,624,321	1,777,681	1,777,681	-
Intergovernmental	4,601,309	5,556,082	5,674,819	118,737
Investment earnings	224,396	210,000	204,109	(5,891)
Tuition and fees	783,759	788,801	789,873	1,072
Rental income	598	600	60	(540)
Charges for services	-	-	5	5
Payment in lieu of taxes	1,209,366	1,207,450	1,207,450	-
Miscellaneous	102,072	121,316	25,828	(95,488)
<b>Total receipts</b>	<u>12,262,628</u>	<u>13,783,769</u>	<u>13,801,664</u>	<u>17,895</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	12,299,565	11,917,096	5,794,283	6,122,813
Special	6,990	6,808	1,436,612	(1,429,804)
Vocational	2,772	2,700	122,862	(120,162)
Other	205	200	9,689	(9,489)
Support services:				
Pupil	2,053	2,000	581,182	(579,182)
Instructional staff	40,863	39,800	630,358	(590,558)
Board of education	40,893	189,829	76,536	113,293
Administration	4,107	4,000	1,057,086	(1,053,086)
Fiscal	7,187	7,000	421,947	(414,947)
Operations and maintenance	84,312	82,118	1,010,764	(928,646)
Pupil transportation	102,995	100,315	560,150	(459,835)
Central	-	-	434	(434)
Extracurricular activities	513	500	361,214	(360,714)
Debt service:				
Liability Judgements	-	364,897	364,897	-
<b>Total disbursements</b>	<u>12,592,455</u>	<u>12,717,263</u>	<u>12,428,014</u>	<u>289,249</u>
<b>Excess of receipts over (under) disbursements</b>	<u>(329,827)</u>	<u>1,066,506</u>	<u>1,373,650</u>	<u>307,144</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's disbursements	15,000	140,908	130,419	(10,489)
Transfers (out)	(343,165)	(1,200,000)	(1,200,000)	-
Advances in	50,000	50,000	-	(50,000)
Advances (out)	(50,000)	(50,000)	-	50,000
Sale of capital assets	1,000	1,000	100	(900)
<b>Total other financing sources (uses)</b>	<u>(327,165)</u>	<u>(1,058,092)</u>	<u>(1,069,481)</u>	<u>(11,389)</u>
<b>Net change in fund balance</b>	(656,992)	8,414	304,169	295,755
<b>Fund balance at beginning of year</b>	7,629,843	7,629,843	7,629,843	-
<b>Prior year encumbrances appropriated</b>	19,954	19,954	19,954	-
<b>Fund balance at end of year</b>	<u>\$ 6,992,805</u>	<u>\$ 7,658,211</u>	<u>\$ 7,953,966</u>	<u>\$ 295,755</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2021

	<u>Custodial</u>
<b>Assets:</b>	
Equity in pooled cash and investments	\$ 203
<b>Net position:</b>	
Restricted for individuals, organizations and other governments	\$ 203

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, 2021

	<b>Custodial</b>
<b>Additions:</b>	
Extracurricular collections for OHSAA	\$ 2,731
<b>Deductions:</b>	
Extracurricular distributions to OHSAA	2,528
Change in net position	203
<b>Net position at beginning of year</b>	-
<b>Net position at end of year</b>	\$ 203

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, 2021

**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 50 non-certified employees and 75 certified full-time teaching personnel who provide services to 943 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 primary government of the School District 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.

The School District is associated with three jointly governed organizations and four 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, Ohio School Boards Association Workers’ Compensation Group Rating Plan, and TIPS Purchasing Cooperative. 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.

**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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**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.

**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. 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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 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 custodial 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.

**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, 2021 unencumbered fund balances. However, those fund balances are available for appropriations.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**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.

**E. Cash and Investments**

To improve cash management, cash received by the School District Treasurer is pooled and invested. 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 2021, the School District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreement, and a U.S. Government mutual fund. 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 2021 were \$204,109, which includes approximately \$74,998 interest assigned from other School District funds.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**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 Debt**

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.

**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 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.

**L. Pensions/Other Postemployment Benefits (OPEB)**

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

**M. Equity Classifications**

GOVERNMENT-WIDE STATEMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

- 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 scholarships, student managed activity, and miscellaneous grants. 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, 2021.

**N. Fund Balance**

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District 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 in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as 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 designated 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 – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2021, the School District has applied GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance.*” GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended June 30, 2021. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed until the fiscal year ended June 30, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

**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.

**C. Deficit Fund Balances**

Fund balances at June 30, 2021 included the following individual fund deficit:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Food Services	\$ 13,849

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, 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) 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 are 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.

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

**A. Deposits with Financial Institutions**

At June 30, 2021, the carrying amount of all School District deposits was \$10,743,294. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021, all of the School District's bank balance of \$10,529,589 was covered by the Federal Deposit Insurance Corporation (FDIC).

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**B. Investments**

As of June 30, 2021, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Carrying Value</u>	<u>Balance at Fair Value</u>	<u>Investments Maturities</u>				
			<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Negotiable CD's	\$ 2,326,000	\$ 2,368,272	\$ 401,697	\$ 652,721	\$ 506,579	\$ 557,966	\$ 249,309
Repurchase agreement	52,833	52,833	52,833	-	-	-	-
U.S. Government mutual fund	8,321	8,321	8,321	-	-	-	-
<b>Total</b>	<b>\$ 2,387,154</b>	<b>\$ 2,429,426</b>	<b>\$ 462,851</b>	<b>\$ 652,721</b>	<b>\$ 506,579</b>	<b>\$ 557,966</b>	<b>\$ 249,309</b>

The weighted average maturity of investments is 1.18 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 US 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.

*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, 2021:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 2,326,000	\$ 2,368,272	97.49
Repurchase agreement	52,833	52,833	2.17
U.S. Government mutual fund	8,321	8,321	0.34
<b>Total</b>	<b>\$ 2,387,154</b>	<b>\$ 2,429,426</b>	<b>100.00</b>

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2021:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 10,743,294
Investments	<u>2,387,154</u>
Total	<u><u>\$ 13,130,448</u></u>

<u>Cash and investments per Statement of Net Position - Cash Basis</u>	
Governmental activities	\$ 13,130,245
Custodial fund	<u>203</u>
Total	<u><u>\$ 13,130,448</u></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 2021 represent the collection of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed values as of January 1, 2020, 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 2021 represent the collection of calendar year 2020 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien on December 31, 2019, were levied after April 1, 2020 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 Auditor’s 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, 2021, are available to finance fiscal year 2022 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.

The assessed values upon which the fiscal year 2021 taxes were collected are:

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

	2020 Second Half Collections		2021 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 148,543,530	81.42	\$ 148,834,380	76.66
Public utility personal	<u>33,905,060</u>	<u>18.58</u>	<u>45,311,080</u>	<u>23.34</u>
Total	<u>\$ 182,448,590</u>	<u>100.00</u>	<u>\$ 194,145,460</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 six-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 2021 were \$1,207,450.

**NOTE 8 – DEBT OBLIGATIONS**

Debt obligations of the School District at June 30, 2021 consisted of the following:

	Balance Outstanding <u>June 30, 2020</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2021</u>	Amount Due in <u>One Year</u>
<u>Governmental Activities:</u>				
2018 Refunding Bonds				
Current Interest Bonds	\$ 1,820,000	\$ (185,000)	\$ 1,635,000	\$ 190,000
Judgment Loan Payable	<u>509,538</u>	<u>(364,897)</u>	<u>144,641</u>	<u>144,641</u>
Total governmental activities	<u>\$ 2,329,538</u>	<u>\$ (549,897)</u>	<u>\$ 1,779,641</u>	<u>\$ 334,641</u>

**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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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,	2018 Refunding Bonds		
	Current Interest Bonds		
	Principal	Interest	Total
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	205,000	15,928	220,928
2027 - 2029	645,000	21,457	666,457
Total	\$ 1,635,000	\$ 141,047	\$ 1,776,047

**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, 2021 are as follows:

Fiscal Year Ending June 30,	Judgment Loan
2022	\$ 144,641
Total	\$ 144,641

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.

**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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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, interexchange 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, 2021, are a voted debt margin of \$16,052,114 (including available funds of \$214,023) and an unvoted debt margin of \$194,145.

**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 2021, 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

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 2020.

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. 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 2021 the School District participated in the Ohio School Boards Association (OSBA) Workers’ Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers’ compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

*Net Pension Liability/Net OPEB Liability/Asset*

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset).

Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 11 for the required OPEB disclosures.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

***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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 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. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021

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, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$240,375 for fiscal year 2021.

***Plan Description – State Teachers Retirement System (STRS)***

Plan Description – Licensed teachers participate in STRS, 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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](http://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 (CO) 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.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all of 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 and after termination of employment.

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2021, 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 2021 contribution rates were equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$676,685 for fiscal year 2021.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

***Net Pension Liability***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04749490%	0.03844925%	
Proportion of the net pension liability current measurement date	<u>0.04709100%</u>	<u>0.03865129%</u>	
Change in proportionate share	<u>-0.00040390%</u>	<u>0.00020204%</u>	
Proportionate share of the net pension liability	\$ 3,114,696	\$ 9,352,237	\$ 12,466,933

***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, 2020, 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	2.50 percent
Investment rate of return	7.50 percent net of investment expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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.

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 asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	1.85 %
US Equity	22.50	5.75
International Equity	22.50	6.50
Fixed Income	19.00	2.85
Private Equity	12.00	7.60
Real Assets	17.00	6.60
Multi-Asset Strategies	5.00	6.65
Total	100.00 %	

**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 earnings 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.

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net pension liability	\$ 4,266,756	\$ 3,114,696	\$ 2,148,099

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3.00 percent
Cost-of-living adjustments (COLA)	0.00 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2020 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:

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

\*\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25 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, 2020. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

***Sensitivity of the 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	\$ 13,315,957	\$ 9,352,237	\$ 5,993,314

**NOTE 11 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability/Asset***

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

See Note 10 for a description of the net OPEB liability (asset).

***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](http://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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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, 2021, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. 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 2021, the School District’s surcharge obligation was \$28,771.

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 \$28,771 for fiscal year 2021.

***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](http://www.strsoh.org) or by calling (888) 227-7877.

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.04844040%	0.03844925%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.04880170%</u>	<u>0.03865129%</u>	
Change in proportionate share	<u>0.00036130%</u>	<u>0.00020204%</u>	
Proportionate share of the net OPEB liability	\$ 1,060,621	\$ -	\$ 1,060,621
Proportionate share of the net OPEB asset	\$ -	\$ (679,296)	\$ (679,296)

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**Actuarial Assumptions – SERS**

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

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

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

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

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investment expense, including inflation
Municipal bond index rate:	
Measurement date	2.45 percent
Prior measurement date	3.13 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	2.63 percent
Prior measurement date	3.22 percent
Medical trend assumption:	
Measurement date	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

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

**Discount Rate** – The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 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 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**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 (1.63 percent) and higher (3.63 percent) than the current discount rate (2.63 percent). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00 percent decreasing to 3.75 percent) and higher (8.00 percent decreasing to 5.75 percent) than the current rate (7.00 percent decreasing to 4.75 percent).

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB liability	\$ 1,298,173	\$ 1,060,621	\$ 871,767

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 835,158	\$ 1,060,621	\$ 1,362,122

***Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2020, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	
Investment rate of return	7.45 percent, net of investment expenses, including inflation	
Payroll increases	3.00 percent	
Discount rate of return	7.45 percent	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-6.69 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	11.87 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, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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>	

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

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

	1% Decrease	Current Discount Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 591,032	\$ 679,296	\$ 754,185
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	\$ 749,536	\$ 679,296	\$ 593,733

**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.

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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

	<u>Capital Improvements</u>
Current year set-aside requirement	\$ 170,203
Current year offsets	<u>(1,200,000)</u>
Total	<u>\$ (1,029,797)</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](http://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. 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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.

TIPS Purchasing Cooperative – The Interlocal Purchasing System, known as TIPS Purchasing Cooperative began in 2002. They service school districts in improving student performance and increase the efficiency and effectiveness of school operations. The governing board consists of a seven-member Board of Directors, elected by local school board members, and an Executive Director, appointed by the Board of Directors located in Texas. Ohio permits agreements with Interlocal Purchasing System. TIPS has a strict Competitive Procurement Process. For more information about TIPS please visit their website at <https://www.tips-usa.com/index.cfm>

**NOTE 15 – INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported on the fund statements:

<u>Transfers from the General Fund to:</u>	<u>Amount</u>
Permanent Improvement Fund	<u>\$ 1,200,000</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.

**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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

**B. Litigation**

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

**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 – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and 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:

**Net Change in Fund Cash Balance**

	<u>General Fund</u>
Cash basis	\$ 352,653
Funds budgeted elsewhere	(4,548)
Adjustment for encumbrances	(43,936)
Budget basis	\$ 304,169

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, the Public School Support Fund, and the Special Trust 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		\$ 43,936
Permanent Improvement		550,332
Nonmajor Governmental		506,953
Total		\$ 1,101,221

**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, 2021 are as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(Continued)

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

**NOTE 20 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**NOTE 21 – SUBSEQUENT EVENT**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$141,038 in revenues and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
National School Lunch Program			
Cash Assistance	10.555		\$ 297,665
Non-Cash Assistance (Food Distribution)	10.555		30,888
COVID-19 National School Lunch Program	10.555		41,162
Total National School Lunch Program			<u>369,715</u>
School Breakfast Program	10.553		85,901
COVID-19 School Breakfast Program	10.553		10,489
Total School Breakfast Program			<u>96,390</u>
Total Child Nutrition Cluster			<u>466,105</u>
Total U.S. Department of Agriculture			<u>466,105</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 Coronavirus Relief Fund	21.019		60,683
Total U.S. Department of the Treasury			<u>60,683</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010		155,553
Supporting Effective Instruction State Grants	84.367		27,492
COVID-19 Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D		23,783
Twenty-First Century Community Learning Centers	84.287	\$ 35,703	218,212
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027		236,254
Special Education Preschool Grants	84.173		12,824
Total Special Education Cluster			<u>249,078</u>
Student Support and Academic Enrichment Program	84.424		11,785
Total U.S. Department of Education			<u>685,903</u>
<b>Total Expenditures of Federal Awards</b>		<b>\$ 35,703</b>	<b>\$ 1,212,691</b>

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, 2021**

**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, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 program that benefited from the use of those donated food commodities.

# OHIO AUDITOR OF STATE KEITH FABER



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

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, 2021, 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 February 22, 2022, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also 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 statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

***School District's Response to Finding***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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

February 22, 2022

# 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, 2021. 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 the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in finding 2021-002 in the accompanying schedule of findings, the School District did not comply with requirements regarding procurement and suspension and debarment applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, Wayne Trace Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2021.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, Wayne Trace Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2021.

***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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2021-002.

The School District's response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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



Keith Faber  
Auditor of State  
Columbus, Ohio

February 22, 2022

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**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified for all major programs except for Child Nutrition Cluster, which we qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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 2021-001**

**Noncompliance**

**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).

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

Pursuant to Ohio Rev. Code § 117.38 the 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

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

**Child Nutrition Cluster – Procurement and Suspension and Debarment**

<b>Finding Number:</b>	<b>2021-002</b>
<b>CFDA Number and Title:</b>	<b>CFDA # 10.553 and 10.555 Child Nutrition Cluster</b>
<b>Federal Award Identification Number / Year:</b>	<b>2021</b>
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance Requirement:</b>	<b>Procurement and Suspension and Debarment</b>
<b>Pass-Through Entity:</b>	<b>Ohio Department of Education</b>
<b>Repeat Finding from Prior Audit?</b>	<b>No</b>

**Noncompliance and Material Weakness**

**2 CFR § 417.10** gives regulatory effect for the U.S. Department of Agriculture to the Office of Management and Budget (OMB) guidance, as supplemented by this part. This part adopts the OMB guidance in **subparts A through I of 2 CFR part 180**. Per **2 CFR § 417.20**, pertinent portions of the OMB guidance in **subparts A through I of 2 CFR part 180** apply to participants or principals in “covered transactions.” **2 CFR 180.305** states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred, unless the Federal agency responsible for the transaction grants an exception under **2 CFR § 180.135**. “Covered transactions” include nonprocurement or procurement transactions at the primary tier, between a Federal agency and a person; or at the lower tier, between a participant in a covered transaction and another person. Procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) are covered transactions if the contracts are expected to equal or exceed \$25,000 or meet certain other specified criteria outlined in **2 CFR § 180.220**. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless listed in the exemptions in **2 CFR § 180.215**.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking SAM exclusions ([www.sam.gov](http://www.sam.gov)) collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

District Policy #6325, Procurement – Federal Grants/Funds, states that for contracts over \$25,000, the District shall confirm that the vendor is not debarred or suspended by either checking the Federal government's System for Award Management, which maintains a list of such debarred or suspended vendors at [www.sam.gov](http://www.sam.gov); collecting a certification from the vendor; or adding a clause or condition to the covered transaction with that vendor.

The School District did not have the proper internal controls in place to verify that all entities, with whom the School District had entered into covered transactions, had not been suspended or debarred. During testing of procurement and suspension and debarment for the Child Nutrition Cluster, we noted an instance in which the program had a payment to a vendor of more than \$25,000 and there was no evidence the School District checked the SAM exclusions, collected a certification from the entity, or added a clause or condition to the covered transaction with the vendor. Due to the deficient internal control structure, the required verification was not completed for Arps Dairy, one of three covered transactions in the Child Nutrition Cluster during Fiscal Year 2021.

Failing to have the appropriate controls in place may result in vendors receiving federal funds that are suspended or debarred.

Prior to contracting with vendors that will be paid with federal funds, the School District should verify the vendor is not suspended or debarred by checking the SAM exclusions, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

**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, 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	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 2021-001 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.
2020-002	This finding was first reported in 2019. Finding for recovery for public monies collected but unaccounted for.	Corrective action taken and finding is fully corrected.	



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

<b>Finding Number:</b>	2021-001
<b>Planned Corrective Action:</b>	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.
<b>Anticipated Completion Date:</b>	N/A
<b>Responsible Contact Person:</b>	Lori Davis, Treasurer
<b>Finding Number:</b>	2021-002
<b>Planned Corrective Action:</b>	The Treasurer will implement procedures to ensure that qualified vendors who receive over \$25,000 of federal funds have not been suspended or debarred.
<b>Anticipated Completion Date:</b>	June 30, 2022
<b>Responsible Contact Person:</b>	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 3/8/2022**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)