

WAYNE LOCAL SCHOOL DISTRICT
WARREN COUNTY, OHIO

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022



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Columbus, Ohio 43215
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Members of the Board of Education
Wayne Local School District
659 Dayton Road
Waynesville, Ohio 45068

We have reviewed the *Independent Auditor's Report* of Wayne Local School District, Warren County, prepared by Julian & Grube, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2023

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

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Independent Auditor's Report

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

To the Members of the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Wayne Local School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, as of June 30, 2022, and the respective changes in cash-basis financial position, thereof for the fiscal year then ended in accordance with the cash basis of accounting described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Wayne Local School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Ohio Administrative Code § 117-2-03(B) requires the Wayne Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As described in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Wayne Local School District. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wayne Local School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wayne Local School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wayne Local School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the *management's discussion and analysis* and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023 on our consideration of the Wayne Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wayne Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
February 27, 2023

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

As Management of Wayne Local School District (the "District"), we offer readers of the District financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the financial statement to enhance their understanding of the District's financial results.

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

The Net position of governmental activities decreased by \$6,054,931. Excluding the impact of construction, the decrease was \$570,181. At the close of the 2022 fiscal year, the District's governmental funds reported a cash fund balance of \$23,761,579 Of this amount \$13,875,753 are unassigned funds that are available for spending to support operations at Management's discretion.

Overview of the Financial Statements

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

Government-Wide Financial Statements: These financial statements are designed to provide readers with a broad overview of the District's finances.

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

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

The government-wide financial statements can be found starting on pages 11-12 of the report.

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

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

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

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

The cash basis governmental fund financial statement can be found on pages 13 and 14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 15 to 43 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's general fund budgetary information. The required supplementary information can be found on pages 45 and 46 of this report.

Government-Wide Financial Analysis

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

Net Position

	2022	2021
Cash	\$ 23,761,579	\$ 29,816,510
Total Assets	\$ 23,761,579	\$ 29,816,510
Net Position		
Restricted for:		
Debt Service	984,242	960,369
Capital / PI Related	3,672,428	10,545,562
Cafeteria	549,415	65,066
Activity Funds	312,570	232,036
Other Funds	862,061	632,715
Total Restricted	\$ 6,380,716	\$ 12,435,748
Unrestricted	\$ 17,380,863	\$ 17,380,762
Total Net Position	\$ 23,761,579	\$ 29,816,510

The overall net position is down \$6,054,931 and is mostly reflected in the District's capital outlay. This is due to costs associated with a new Elementary Building.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

Change in Net Position

	2022	2021
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,243,376	\$ 1,167,504
Operating Grants & Contributions	3,224,370	1,554,010
Capital Grants & Contributions	17,509	2,000
Total Program Cash Receipts	\$ 4,485,255	\$ 2,723,514
General Cash Receipts		
Property Taxes	12,050,363	12,709,130
Grants and Entitlements not Restricted to Specific Programs	5,147,030	5,307,615
Grants and Entitlements Restricted for Ohio Facilities Construction Commission	414,461	1,813,627
Investment Earnings	205,875	261,710
Miscellaneous	306,670	89,240
Total General Cash Receipts	18,124,399	20,181,322
Total Cash Receipts	\$ 22,609,654	\$ 22,904,836

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Change in Net Position - Continued

	2022	2021
Disbursements		
Program Cash Disbursements		
Instruction:		
Regular	\$ 8,479,586	\$ 8,534,897
Special	3,008,764	2,792,295
Other	11,328	-
Support Services:		
Pupil	1,283,205	1,142,768
Instructional Staff	279,979	274,923
Board of Education	54,393	58,123
Administration	1,001,222	1,045,646
Fiscal	423,997	369,941
Business	213,422	139,107
Operation and Maintenance	1,209,474	1,208,915
Pupil Transportation	965,816	865,524
Central	81,019	63,926
Other:		
Operation of Non-Instructional/ Enterprise	74,060	51,964
Operation of Food Services	340,173	238,133
Extracurricular Activities	696,327	587,245
Facilities Acquisition and Construction	8,565,067	11,291,513
Debt Service:		
Principal	1,075,000	1,005,000
Interest	901,753	941,788
Total Cash Disbursements	<u>28,664,585</u>	<u>30,611,708</u>
Change in Net Position	<u>(6,054,931)</u>	<u>(7,706,872)</u>
Net Position, Beginning of the Year	<u>29,816,510</u>	<u>37,523,382</u>
Net Position, End of the Year	<u>\$ 23,761,579</u>	<u>\$ 29,816,510</u>

Governmental Activities

Grants and entitlements not restricted to specific programs made up 24.31% of cash receipts for governmental activities of the District for fiscal year 2022. Property tax receipts made up 54.30% of the total cash receipts for governmental activities. These two items make up a total of 78.61% of all cash receipts in the District's governmental accounts. Instruction costs comprise 40.40% of governmental program cash disbursements. Support services expenses makeup 18.66% of governmental cash disbursements. Excluding the new construction from the total of all expenses Instruction costs comprise 52.87% of governmental program cash disbursements. Support services expenses makeup 37.97% of governmental cash disbursements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Governmental Activities (continued)

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

**Table 3
Governmental Activities**

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Instruction	\$ 11,499,678	\$ 8,986,315	\$ 11,327,192	\$ 9,631,416
Support Services	5,512,527	4,896,311	5,168,873	4,702,979
Operation of Non-Instructional Services	74,060	45,475	51,964	14,952
Operation of Food Services	340,173	(484,349)	238,133	(7,908)
Extracurricular Activities	696,327	211,267	587,245	362,398
Facilities Acquisition and Construction	8,565,067	8,547,558	11,291,513	11,237,569
Principal	1,075,000	1,075,000	1,005,000	1,005,000
Interest and Fiscal Charges	901,753	901,753	941,788	941,788
Total Cash Disbursements	<u>\$ 28,664,585</u>	<u>\$ 24,179,330</u>	<u>\$ 30,611,708</u>	<u>\$ 27,888,194</u>

The District's Funds

As noted earlier the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the District's Governmental Funds is to provide information on cash basis inflow and outflows and resultant year end balances. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's cash basis resources available at the end of the fiscal year and the amount available for expenditures in the ensuing fiscal year. As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund (cash basis) balances of \$23,761,579, a decrease of \$6,054,931 in comparison to the previous year. This represents a 20.31% decrease from the prior year which is the result of spending on construction. Of this amount \$13,875,753 constitutes an unassigned fund balance, which is available for spending at the District's discretion for necessary school expenses. The remainder of the fund balance is restricted, committed or assigned to indicate that the amounts are not available for new spending or for spending outside of the inherent guidelines of the fund.

The District has two major funds for fiscal year 2022: The General Fund and Building Fund. The General Fund is defined in accordance with the Governmental Accounting Standards Board Statement No. 54 to include the basic General Fund, the severance benefit funds and Public School Support funds. Statement No. 54 requires the classification of fund balances into five categories: Non-spendable 2) Restricted 3) Committed 4) Assigned 5) Unassigned. At the end of the current fiscal year the unassigned General Fund balance is \$13,875,753.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

The District's Funds (continued)

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

The unassigned General Fund balance of the District decreased \$410,469 during the fiscal year ending June 30, 2022. The increase of our year end cash position is due to strategic management to ensure a sound fiscal operation. Our revenue growth will continue to be minimal for future years. Property development will provide some potential revenue increases. Revenue provided by the state is expected to be flat-lined at best.

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

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

For the general fund, final budgetary basis receipts of \$16,166,384 were \$1,024,138 lower than original budget estimates of \$17,190,522. The actual budgetary basis receipts of \$15,978,192 were \$188,192 lower than the final budgetary basis receipts of \$16,166,384. The final budgetary basis disbursements of \$18,157,132 were \$250,619 higher than original budget estimates of \$17,906,513. The actual budgetary basis disbursements of \$17,310,023 were \$847,109 less than the final budget estimates.

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

Outstanding Debt

In fiscal year 2014, the District completed a second refunding of outstanding bonds. This follows the District's advance refinancing of select bonds in June of 2003. The original bonds were originally issued in 1995 for the construction of a new high school. This was an extremely positive move to save our taxpayers interest costs. In 2018, the District issued \$9,400,000 of bank qualified bonds and \$16,225,000 of non-bank qualified bonds for construction of a new elementary and an academic/art center on the current campus site. Note 10 of the financial statements illustrate the changes in the District's long-term obligations. Bond Anticipation notes of \$9,500,000 issued in December of 2017 were strategically used to ensure we could issue "Bank Qualified" bonds in 2018. Bank Qualified Bonds have lower interest rate costs.

Description	Amount Outstanding at 6/30/2021	Additions	Deductions	Amount Outstanding at 6/30/2022	Due In One Year
2014 Bonds	\$ 635,000	\$ -	\$ (635,000)	\$ -	\$ -
2018 A Bonds	9,200,000	-	(50,000)	9,150,000	50,000
2018 B Bonds	15,035,000	-	(390,000)	14,645,000	435,000
Sub-total	24,870,000	-	(1,075,000)	23,795,000	485,000
Capital Appreciation Bonds - 2003					
Issuance Value	24,983	-	-	24,983	9,968
Sub-total Cap Bonds	24,983	-	-	24,983	9,968
Grand Total	\$ 27,944,983	\$ -	\$ (1,075,000)	\$ 23,819,983	\$ 494,968

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Economic Factors and Next Year's Budgets

In preparation of the fiscal year 2023 budget various factors were considered. We have opened our new elementary building and soon will open the renovated 1957 wing and the new performing arts center. The energy related costs budget will be impacted as our footprint expands. On the cost side, inflation is hitting near 10% annual growth. Our diesel fuel bill will double. Energy prices will rise due to AES receiving a large, allowed increase in their electric transmission rate. Almost everything we purchase is going up. In 2022, a major taxpayer (the underground pipeline) did not pay their taxes in February of this year. It is our understanding they are challenging their property values. Across the funds that receive such taxes, they will show an approximate \$650,000 loss in revenue for 2022 and beyond. The loss of revenue was a major reason for incurring a negative net asset position in 2022. The loss of this revenue is devastating to districts across Ohio.

In addition to all of the above increases, increases in salaries are planned for teachers and support staff and these changes will be in line with the certified and non-certified contract. These were planned increases. The District has outstanding teachers and we need to be competitive to continue to attract top talent. Wayne Local is currently very sound in terms of all our funds. But the loss of taxes and inflation could create a rapid loss in our cash reserves. In October the five-year forecast will be completed and the above will be reflected in that forecast. A lot of time will be spent in completing the forecast.

Request for information

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2022

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 23,761,579
Total assets	<u>23,761,579</u>
Net position:	
Restricted for:	
Capital projects	3,672,428
Classroom facilities maintenance	652,975
Debt service	984,242
State funded programs	172,513
Food service operations	549,415
Student activities	312,570
Other purposes	36,573
Unrestricted	17,380,863
Total net position	<u>\$ 23,761,579</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Disbursements	Charges for Services and Sales	Program Receipts Operating Grants and Contributions	Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 8,479,586	\$ 685,243	\$ 968,529	\$ -	\$ (6,825,814)
Special	3,008,764	34,626	824,965	-	(2,149,173)
Other	11,328	-	-	-	(11,328)
Support services:					
Pupil	1,283,205	-	245,970	-	(1,037,235)
Instructional staff	279,979	-	-	-	(279,979)
Board of education	54,393	-	-	-	(54,393)
Administration	1,001,222	-	44,620	-	(956,602)
Fiscal	423,997	-	-	-	(423,997)
Business	213,422	-	-	-	(213,422)
Operations and maintenance	1,209,474	-	248,886	-	(960,588)
Pupil transportation	965,816	30,682	39,396	-	(895,738)
Central	81,019	2,854	3,808	-	(74,357)
Operation of non-instructional services:					
Food service operations	340,173	26,433	798,089	-	484,349
Other non-instructional services	74,060	12,245	16,340	-	(45,475)
Extracurricular activities	696,327	451,293	33,767	-	(211,267)
Facilities acquisition and construction	8,565,067	-	-	17,509	(8,547,558)
Debt service:					
Principal retirement	1,075,000	-	-	-	(1,075,000)
Interest and fiscal charges	901,753	-	-	-	(901,753)
Total governmental activities	\$ 28,664,585	\$ 1,243,376	\$ 3,224,370	\$ 17,509	\$ (24,179,330)
General receipts:					
Property taxes levied for:					
					9,477,549
General purposes					1,899,480
Debt service					539,795
Capital outlay					133,539
Classroom Facilities Maintenance					5,147,030
Grants and entitlements not restricted to specific programs:					414,461
Grants restricted for Ohio					205,875
Facilities Construction Commission					306,670
Investment earnings					18,124,399
Miscellaneous					(6,054,931)
Total general receipts					<u>29,816,510</u>
Change in net position					<u>\$ 23,761,579</u>
Net position at beginning of year					<u>29,816,510</u>
Net position at end of year					<u>\$ 23,761,579</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 16,489,261	\$ 1,973,378	\$ 5,298,940	\$ 23,761,579
Total assets	<u>\$ 16,489,261</u>	<u>\$ 1,973,378</u>	<u>\$ 5,298,940</u>	<u>\$ 23,761,579</u>
Fund balances:				
Restricted:				
Debt service	\$ -	\$ -	\$ 984,242	\$ 984,242
Capital projects	-	1,973,378	1,699,050	3,672,428
Classroom facilities maintenance	-	-	652,975	652,975
Food service operations	-	-	549,415	549,415
State funded programs	-	-	172,513	172,513
Extracurricular	-	-	312,570	312,570
Scholarships	-	-	12,517	12,517
Other purposes	-	-	24,056	24,056
Committed:				
Capital projects	-	-	891,602	891,602
Termination benefits	284,276	-	-	284,276
Assigned:				
Student instruction	185,791	-	-	185,791
Student and staff support	820,768	-	-	820,768
Subsequent year's appropriations	1,322,673	-	-	1,322,673
Unassigned	13,875,753	-	-	13,875,753
Total fund balances	<u>\$ 16,489,261</u>	<u>\$ 1,973,378</u>	<u>\$ 5,298,940</u>	<u>\$ 23,761,579</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property taxes	\$ 9,477,549	\$ -	\$ 2,572,814	\$ 12,050,363
Intergovernmental	5,453,825	-	3,251,929	8,705,754
Investment earnings	160,777	44,846	1,752	207,375
Tuition and fees	701,725	-	-	701,725
Extracurricular	33,297	-	481,921	515,218
Charges for services	-	-	26,433	26,433
Contributions and donations	44,432	-	19,049	63,481
Miscellaneous	268,533	-	70,772	339,305
Total receipts	<u>16,140,138</u>	<u>44,846</u>	<u>6,424,670</u>	<u>22,609,654</u>
Disbursements:				
Current:				
Instruction:				
Regular	7,722,492	-	757,094	8,479,586
Special	2,481,150	-	527,614	3,008,764
Other	-	-	11,328	11,328
Support services:				
Pupil	1,242,226	-	40,979	1,283,205
Instructional staff	279,979	-	-	279,979
Board of education	53,393	-	1,000	54,393
Administration	970,271	-	30,951	1,001,222
Fiscal	394,240	-	29,757	423,997
Business	213,422	-	-	213,422
Operations and maintenance	1,047,508	-	161,966	1,209,474
Pupil transportation	939,313	-	26,503	965,816
Central	81,019	-	-	81,019
Operation of non-instructional services:				
Food service operations	-	-	340,173	340,173
Other non-instructional services	74,060	-	-	74,060
Extracurricular activities	284,040	-	412,287	696,327
Facilities acquisition and construction	1,248,526	3,275,853	4,040,688	8,565,067
Debt service:				
Principal retirement	-	-	1,075,000	1,075,000
Interest and fiscal charges	-	-	901,753	901,753
Total disbursements	<u>17,031,639</u>	<u>3,275,853</u>	<u>8,357,093</u>	<u>28,664,585</u>
Net change in fund balances	(891,501)	(3,231,007)	(1,932,423)	(6,054,931)
Fund balances at beginning of year	<u>17,380,762</u>	<u>5,204,385</u>	<u>7,231,363</u>	<u>29,816,510</u>
Fund balances at end of year	<u>\$ 16,489,261</u>	<u>\$ 1,973,378</u>	<u>\$ 5,298,940</u>	<u>\$ 23,761,579</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

A locally-elected 5-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's instructional/support facilities staffed by 67 classified employees, 97 certificated full-time personnel, and 7 administrators who provide services to 1,462 students. The District also serves additional pre-school students that are not included in the total shown. The District is the home of numerous community groups’ activities. The District currently operates three buildings situated at one site location.

Reporting Entity

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

Jointly Governed Organizations

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

Dayton Area Superintendent’s Association:

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

Warren County Career Center

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY - (Continued)

Southwestern Ohio Educational Purchasing Council

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

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

Southwestern Ohio Computer Association (SWOCA)

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

RELATED ORGANIZATION

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

PUBLIC ENTITY RISK POOL

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

MEDICAL AND DENTAL BENEFITS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Fund Accounting

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

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The District's major governmental funds are the General Fund and Building Fund. The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law. The Building Fund is related to new construction occurring 2018-2022.

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

Fund Balance

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Fund Balance Assets

The District's total Governmental Fund balance at the end of the 2022 fiscal year was \$23,761,579 with an unassigned balance of \$13,875,753. The classifications are detailed on the Statement of Assets and Fund Balances – Cash Basis.

B. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of net position and Statement of Activities, and fund financial statements providing more detailed financial information.

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

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

Fund Financial Statements: Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. The following are the District's major 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.

Building Fund - The building fund is used to account for and report monies received that are restricted for expenditures for building and equipping of capital facilities.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Cash and Cash Equivalents

The District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The District values cash equivalents at cost. Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Earnings on investments credited to the General Fund during fiscal year 2022 were \$160,777 with a total of \$207,375 for all funds. For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. Investments are reported at cost.

During fiscal year 2022, investments were limited to, Federal Farm Credit Bank (FFCB) securities, Ohio University taxable bonds, negotiable certificates of deposit, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal Home Loan Bank (FHLB) securities, Federal National Mortgage Association (FNMA) securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

During fiscal year 2022, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

D. Inventory and Prepaid Items

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

E. Capital Assets

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

F. Compensated Absences

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

G. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments. See note 10 for debt obligation data. Please note that all required annual debt obligations for the year were met in a timely fashion. Since recording a capital asset (including the intangible right to use) when entering into a lease or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments and financed purchase payments are reported when paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Inter-Fund Activity

Transfers between funds on the government-wide statements are eliminated. Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. The District did not have any such transfers in fiscal year 2022.

I. Net Position

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

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred in fiscal year 2022.

K. 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.

L. Leases

The District is the lessee in a lease related to equipment under noncancelable leases. Lease payables are not reflected under the District's cash basis of accounting. Lease receipts/disbursements are recognized when they are received/paid.

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in 7 and 8, the employer contributions include portions for pension benefits and for postemployment health care benefits.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2022, the District has implemented GASB Statement No. 87, "Leases", GASB Implementation Guide 2019-3, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Implementation Guide 2020-1, "Implementation Guide Update - 2020", GASB Statement No. 92, "Omnibus 2020", GASB Statement No. 93, "Replacement of Interbank Offered Rates", GASB Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB Statement No. 87 had no effect on beginning fund balance/net position. Refer to the Summary of Significant Accounting Policies for disclosures on the District's lease activity.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. GASB Statement No. 89 also reiterates that financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2020-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2020-1 did not have an effect on the financial statements of the District.

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The implementation of GASB Statement No. 92 did not have an effect on the financial statements of the District.

GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The implementation of GASB Statement No. 93 did not have an effect on the financial statements of the District.

GASB Statement No. 97 is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the District.

GASB Statement No. 99 to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of GASB Statement No. 99 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and with certain limitations including a requirement for maturity within ten years from the date of the settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

A. Deposits with Financial Institutions

At June 30, 2022, the carrying amount of all District deposits was \$5,924,548 and the bank balance of all District deposits was \$5,822,349. Of the bank balance, \$500,000 was covered by the FDIC and \$5,322,349 was either covered by the Ohio Pooled Collateral System or was exposed to custodial credit risk because this amount was uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2022, one of the District's financial institutions was approved for a reduced collateral rate of 50 percent through OPCS. Although all statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2022, the District had the following investments and maturities:

<u>Investment Type:</u>	<u>Cost</u>	<u>Investment 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>
STAR Ohio	\$ 14,616	\$ 14,616	\$ -	\$ -	\$ -	\$ -
FFCB	7,250,000	-	-	1,750,000	-	5,500,000
Negotiable CDs	2,243,473	250,000	982,297	-	504,765	506,411
Municipal bonds	1,696,050	-	-	-	-	1,696,050
FHLMC	3,000,000	-	-	-	-	3,000,000
FHLB	2,700,000	-	-	-	-	2,700,000
FNMA	932,892	-	-	-	-	932,892
Total	<u>\$ 17,837,031</u>	<u>\$ 264,616</u>	<u>\$ 982,297</u>	<u>\$ 1,750,000</u>	<u>\$ 504,765</u>	<u>\$ 14,335,353</u>

The weighted average of maturity of investments is 2.96 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 District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in Ohio University taxable bonds were rated A+ and Aa3 by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investments in negotiable CD's are not rated. The 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 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 District's name. The District's investments in negotiable CD's are insured by the FDIC. The 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.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2022:

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
STAR Ohio	\$ 14,616	0.08
FFCB	7,250,000	40.65
Negotiable CD's	2,243,473	12.58
Municipal bonds	1,696,050	9.51
FHLMC	3,000,000	16.82
FHLB	2,700,000	15.14
FNMA	<u>932,892</u>	<u>5.22</u>
Total	<u>\$ 17,837,031</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2022:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,924,548
Investments	<u>17,837,031</u>
Total	<u>\$ 23,761,579</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	
Total	<u>\$ 23,761,579</u>

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility property (used in business) located in the District. Real property tax revenue received in calendar year 2022 represent collections of the previous calendar year taxes. Real property taxes received in calendar year 2022 were levied after January 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. Public utility property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real property taxes received in calendar year 2022 became a lien December 31, 2020, was levied after April 1, 2021 and is collected in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value.

The District receives property taxes from Warren and Greene Counties. The Warren County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. The amount available to be advanced can vary based on the date the tax bills are sent. No advances were received by the District for the second half collections prior to June 30, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 5 - PROPERTY TAXES

	2021 Second Half Collections		2022 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 274,321,940	87.36	\$ 335,312,910	89.49
Public utility personal	<u>39,692,390</u>	<u>12.64</u>	<u>39,367,700</u>	<u>10.51</u>
Total	<u>\$ 314,014,330</u>	<u>100.00</u>	<u>\$ 374,680,610</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$55.48		\$52.90	

NOTE 6 - RISK MANAGEMENT

A. Risk Pool Membership

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

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

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

B. Workers' Compensation

For fiscal year 2022 the District participated in the Southwestern Ohio Educational Purchasing Council (EPC) Association Workers' Compensation Group Rating Program (GRP), in conjunction with the services of Hunter Consulting. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to the pool that your district is eligible for of the school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the assigned GRP rather than its individual rate. The 2022 estimated savings to the District was \$8,169. This "equity pooling" arrangement insures that each participant shares in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firms of Hunter Consulting Company and 3-HAB Inc. provide administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

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

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS

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 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.

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

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

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 8 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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 was 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% and with a floor of 0%. In 2021, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2022.

Funding Policy – Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% 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 10.00% for plan members and 14.00% 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, 2022, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$257,512 for fiscal year 2022.

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. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0% to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year 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, 2026, 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% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 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. New members must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$1,142,188 for fiscal year 2022.

Net Pension Liability

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**WAYNE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.05550610%	0.05788331%	
Proportion of the net pension liability current measurement date	<u>0.06056500%</u>	<u>0.06014000%</u>	
Change in proportionate share	<u>0.00505890%</u>	<u>0.00225669%</u>	
Proportionate share of the net pension liability	\$ 2,234,673	\$ 7,689,440	\$ 9,924,113

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
COLA or ad hoc COLA:	
Current measurement date	2.00%
Prior measurement date	2.50%
Investment rate of return:	
Current measurement date	7.00% net of system expenses
Prior measurement date	7.50% net of system expenses
Discount rate:	
Current measurement date	7.00%
Prior measurement date	7.50%
Actuarial cost method	Entry age normal (level percent of payroll)

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. 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 (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,717,947	\$ 2,234,673	\$ 983,763

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.45%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the June 30, 2021, actuarial valuation, post-retirement mortality rates are based on the RP-2014 Annuitant Mortality Tables with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Tables with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2021 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	<u>1.00</u>	2.25
Total	<u>100.00 %</u>	

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability	\$ 14,399,443	\$ 7,689,440	\$ 2,019,502

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 3.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2022. It is unknown what the effect this change will have on the net pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 7 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the District's surcharge obligation was \$35,502.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$35,502 for fiscal year 2022.

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. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, 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, 2021, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.05691200%	0.05788331%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.06157270%</u>	<u>0.06014000%</u>	
Change in proportionate share	<u>0.00466070%</u>	<u>0.00225669%</u>	
Proportionate share of the net OPEB liability	\$ 1,165,314	\$ -	\$ 1,165,314
Proportionate share of the net OPEB asset	\$ -	\$ (1,268,003)	\$ (1,268,003)

Actuarial Assumptions - SERS

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021 are presented below:

Wage inflation:	
Current measurement date	2.40%
Prior measurement date	3.00%
Future salary increases, including inflation:	
Current measurement date	3.25% to 13.58%
Prior measurement date	3.50% to 18.20%
Investment rate of return:	
Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.50% net of investment expense, including inflation
Municipal bond index rate:	
Current measurement date	1.92%
Prior measurement date	2.45%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Current measurement date	2.27%
Prior measurement date	2.63%
Medical trend assumption:	
Current measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%
Prior measurement date	
Medicare	5.25 to 4.75%
Pre-Medicare	7.00 to 4.75%

In 2021, Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

The most recent experience study was completed for the five-year period ended June 30, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2015 through 2020 and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, 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, 2020 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 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92% at June 30, 2021 and 2.45% at June 30, 2020.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate (6.75% decreasing to 4.40%).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 1,443,965	\$ 1,165,314	\$ 942,708

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 897,196	\$ 1,165,314	\$ 1,523,437

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, compared with June 30, 2020, are presented below:

	June 30, 2021		June 30, 2020	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.45%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	5.00%	4.00%	5.00%	4.00%
Medicare	-16.18%	4.00%	-6.69%	4.00%
Prescription Drug				
Pre-Medicare	6.50%	4.00%	6.50%	4.00%
Medicare	29.98%	4.00%	11.87%	4.00%

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

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

Actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Assumption Changes Since the Prior Measurement Date - The discount rate was adjusted to 7.00% from 7.45% for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date - The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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

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

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

Discount Rate - The discount rate used to measure the total OPEB asset was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed 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 as of June 30, 2021. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB asset	\$ 1,069,998	\$ 1,268,003	\$ 1,433,406
		<u>Current Trend Rate</u>	
	<u>1% Decrease</u>	<u>1% Increase</u>	
District's proportionate share of the net OPEB asset	\$ 1,426,704	\$ 1,268,003	\$ 1,071,754

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9 - CONTINGENCIES

A. Grants The District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

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

NOTE 10 - LONG-TERM DEBT

The changes in the District's long-term debt during fiscal year 2022 were as follows:

Governmental Activities

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
2014 Bonds	\$ 635,000	\$ -	\$ (635,000)	\$ -	\$ -
2018 A Bonds	9,200,000	-	(50,000)	9,150,000	50,000
2018 B Bonds	<u>15,035,000</u>	<u>-</u>	<u>(390,000)</u>	<u>14,645,000</u>	<u>435,000</u>
Sub-total	<u>24,870,000</u>	<u>-</u>	<u>(1,075,000)</u>	<u>23,795,000</u>	<u>485,000</u>
Capital Appreciation Bonds - 2003					
Issuance Value	<u>24,983</u>	<u>-</u>	<u>-</u>	<u>24,983</u>	<u>9,968</u>
Sub-total Cap Bonds	<u>24,983</u>	<u>-</u>	<u>-</u>	<u>24,983</u>	<u>9,968</u>
Grand Total	<u>\$ 24,894,983</u>	<u>\$ -</u>	<u>\$ (1,075,000)</u>	<u>\$ 23,819,983</u>	<u>\$ 494,968</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT – (Continued)

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10 - LONG-TERM DEBT – (Continued)

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

Fiscal Year Ending June 30,	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 485,000	\$ 871,668	\$ 1,356,668	\$ 9,968	\$ 700,032	\$ 710,000
2024	480,000	848,793	1,328,793	8,227	721,773	730,000
2025	505,000	826,368	1,331,368	6,788	743,212	750,000
2026	565,000	802,843	1,367,843	-	-	-
2027	590,000	777,319	1,367,319	-	-	-
2028-2032	3,455,000	3,506,999	6,961,999	-	-	-
2033-2037	4,215,000	2,878,634	7,093,634	-	-	-
2038-2042	5,400,000	1,999,354	7,399,354	-	-	-
2043-2047	6,595,000	920,490	7,515,490	-	-	-
2048	1,505,000	28,219	1,533,219	-	-	-
Total	<u>\$ 23,795,000</u>	<u>\$ 13,460,687</u>	<u>\$ 37,255,687</u>	<u>\$ 24,983</u>	<u>\$ 2,165,017</u>	<u>\$ 2,190,000</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligations of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District; however there is an exception to the rule under ORC 133.06(I) for districts engaged in a Classroom Facilities Assistance Project (CFAP). The district is engaged in a CFAP and the district did not need to use the exception. The effect of these debt limitations at June 30, 2022 is a debt margin of \$10,885,514 including available funds of \$984,242 of the fiscal year-end balance of the Debt Service Fund (a nonmajor governmental fund).

NOTE 11 - SET-ASIDE CALCULATIONS

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

	<u>Capital Improvement</u>
Set-aside balance June 30, 2021	\$ -
Current year set-aside requirement	264,843
Current year offsets	<u>(761,017)</u>
Total	<u>\$ (496,174)</u>
Cash Balance Carried Forward to fiscal year 2023	<u>\$ -</u>
Set-aside balance June 30, 2022	<u>\$ -</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 12 - OTHER COMMITMENTS

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

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 488,850
Building fund	1,516,397
Other governmental	<u>2,482,185</u>
Total	<u>\$ 4,487,432</u>

NOTE 13 - 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, 2021 while the national state of emergency continues. During fiscal year 2022, the District received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The impact on the District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OTHER INFORMATION

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

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property taxes	\$ 10,320,742	\$ 9,763,870	\$ 9,477,549	\$ (286,321)
Intergovernmental	5,579,440	5,358,178	5,453,824	95,646
Investment earnings	154,283	149,280	158,771	9,491
Tuition and fees	881,336	712,772	701,730	(11,042)
Miscellaneous	254,721	182,284	186,318	4,034
Total receipts	<u>17,190,522</u>	<u>16,166,384</u>	<u>15,978,192</u>	<u>(188,192)</u>
Disbursements:				
Current:				
Instruction:				
Regular	9,396,057	8,209,764	7,711,851	497,913
Special	2,737,880	2,890,933	2,567,848	323,085
Support services:				
Pupil	1,196,652	1,114,294	1,242,608	(128,314)
Instructional staff	296,579	301,078	279,979	21,099
Board of education	79,636	99,749	87,387	12,362
Administration	1,145,858	1,023,239	987,062	36,177
Fiscal	453,698	418,796	400,036	18,760
Business	148,198	245,793	248,735	(2,942)
Operations and maintenance	1,065,073	1,225,203	1,213,113	12,090
Pupil transportation	908,173	1,005,918	974,628	31,290
Central	111,019	69,268	64,210	5,058
Extracurricular activities	367,690	304,705	284,040	20,665
Facilities acquisition and construction	-	1,248,392	1,248,526	(134)
Total disbursements	<u>17,906,513</u>	<u>18,157,132</u>	<u>17,310,023</u>	<u>847,109</u>
Net change in fund balance	(715,991)	(1,990,748)	(1,331,831)	658,917
Fund balance at beginning of year	16,036,221	16,036,221	16,036,221	-
Prior year encumbrances appropriated	493,653	493,653	493,653	-
Fund balance at end of year	<u>\$ 15,813,883</u>	<u>\$ 14,539,126</u>	<u>\$ 15,198,043</u>	<u>\$ 658,917</u>

SEE ACCOMPANYING NOTES TO THE OTHER INFORMATION

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

NOTES TO THE OTHER INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

<u>Fund Cash Balance</u>	
Cash Basis	\$ (891,501)
Funds Budgeted Elsewhere	39,433
Adjustments for Encumbrances	<u>(479,763)</u>
Budgetary Basis	<u>\$ (1,331,831)</u>

SUPPLEMENTARY INFORMATION

**WAYNE LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER ADDITIONAL AWARD IDENTIFICATION	TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Cluster:			
School Breakfast Program	10.553	2022	\$ 122,331
National School Lunch Program	10.555	2022	215,240
COVID-19 - National School Lunch Program	10.555	COVID-19, 2022	31,988
National School Lunch Program - Food Donation	10.555	2022	19,949
Total National School Lunch Program			267,177
Total Child Nutrition Cluster			389,508
COVID-19 - State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	COVID-19, 2022	614
Total U.S. Department of Agriculture			390,122
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010A	84.010A, 2022	92,904
Title I Grants to Local Educational Agencies - Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	84.010A, 2022	3,137
Total Title I Grants to Local Educational Agencies			96,041
Special Education Cluster (IDEA):			
Special Education Grants to States (IDEA, Part B)	84.027A	84.027A, 2022	302,330
COVID-19 - Special Education Grants to States (IDEA, Part B) - ARP	84.027X	COVID-19, 84.027X, 2022	72,760
Total Special Education Grants to States (IDEA, Part B)			375,090
Special Education-Preschool Grants (IDEA Preschool)	84.173A	84.173A, 2022	6,046
COVID-19 - Special Education-Preschool Grants (IDEA Preschool) - ARP	84.173X	COVID-19, 84.173X, 2022	5,384
Total Special Education Preschool Grants (IDEA Preschool)			11,430
Total Special Education Cluster (IDEA)			386,520
Supporting Effective Instruction State Grants	84.367A	84.367A, 2022	24,366
Student Support and Academic Enrichment Program	84.424A	84.424A, 2022	10,000
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	COVID-19, 84.425D, 2022	320,512
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	COVID-19, 84.425U, 2022	720,335
Total Education Stabilization Fund (ESF)			1,040,847
Total U.S. Department of Education			1,557,774
Total Federal Financial Assistance			\$ 1,947,896

The accompanying notes are an integral part of this schedule.

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Wayne Local School District under programs of the federal government for the fiscal year ended June 30, 2022 and is prepared in accordance with the cash basis of accounting. 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 Wayne Local School District, it is not intended to and does not present the financial position or changes in net position of the Wayne Local School District. Such expenditures are recognized following cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be limited to as to reimbursement.

NOTE 2 – DE MINIMIS COST RATE

CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The Wayne Local School District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - CHILD NUTRITION CLUSTER

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

NOTE 4 – FOOD DONATION PROGRAM

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

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

To the Members of the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Local School District, Warren County, Ohio, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Wayne Local School District’s basic financial statements and have issued our report thereon dated February 27, 2023, wherein we noted the Wayne Local School District uses a special purpose framework other than generally accepted accounting principles. Furthermore, as discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wayne Local School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wayne Local School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Wayne Local School District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Wayne Local School District’s financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

Wayne Local School District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Wayne Local School District's response to the finding identified in our audit and described in the accompanying corrective action plan. The Wayne Local School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Wayne Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

February 27, 2023

**Independent Auditor’s Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
Required by the Uniform Guidance**

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

To the Members of the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Wayne Local School District’s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Wayne Local School District’s major federal programs for the fiscal year ended June 30, 2022. The Wayne Local School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings.

In our opinion, the Wayne Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the “Auditor’s Responsibilities for the Audit of Compliance” section of our report.

We are required to be independent of the Wayne Local School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Wayne Local School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Wayne Local School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Wayne Local School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Wayne Local School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Wayne Local School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Wayne Local School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Wayne Local School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
February 27, 2023

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	COVID-19 – Education Stabilization Fund (ALN 84.425)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2022-001

Noncompliance - Annual Financial Report

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

WAYNE LOCAL SCHOOLS

TREASURER'S OFFICE



625 Dayton Road, Waynesville, OH 45068

Phone (513) 897-7031, Ext. 1123
Email: aporter@wayne-local.com

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2022

Finding Number	Planned Corrective Action	Anticipation Completion Date	Responsible Contact Person
2022-001	<p>Cash based reporting with consideration of encumbrances, reserves, and adequate footnotes effectively and efficiently meet the needs of our Board and Citizens. The use of GAAP does not ensure integrity nor does GAAP application make accounting "better" to the user.</p> <p>All of the District's legal appropriations and forecasts as required by the state are on a cash basis presentation and not on a GAAP basis. The rising complexity and cost associated with GAAP rules, interpretations, presentation and subsequent audits are driving a movement to the use of Special Purpose Framework presentation.</p> <p>The Wayne Local School's Board of Education has determined that the use of OCEOA or Special-Purpose Framework presentation is cost effective and provides users a clear picture of the District's results, and is consistent with the legal requirements of other state submissions such as the five-year forecast and annual required tax budget.</p>	Unknown	Al Porter, Interim Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) JUNE 30, 2022

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2021-001	2004	<p><u>Noncompliance - Annual Financial Report</u> - Ohio Admin Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP.</p>	Not Corrected	Finding repeated as 2022-001 as the District did not prepare its annual financial report in accordance with GAAP.

Al Porter, Interim Treasurer
Heidi Miltenberger, Accounts Payable

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OHIO AUDITOR OF STATE KEITH FABER



WAYNE LOCAL SCHOOL DISTRICT

WARREN 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 3/28/2023

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