



OHIO AUDITOR OF STATE  
**KEITH FABER**





**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
JUNE 30, 2021**

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**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
JUNE 30, 2021**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Warren Local School District  
Washington County  
220 Sweetapple Road  
Vincent, Ohio 45784

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 3 to the financial statements, during 2021, the School District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*. In addition, construction in progress was restated. This resulted in a prior period restatement to the June 30, 2020 net position for governmental activities and business-type activities. We did not modify our opinion regarding this matter.

Also, as discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension and Other Post-employment Benefit Liabilities and Pension and Other Post-employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the School District's basic financial statements taken as a whole.

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

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America.

In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2022, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022

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**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
Unaudited

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The discussion and analysis of the Warren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2021 are as follows:

- In total, net position increased \$7,032,517. Net position of governmental activities increased \$4,532,015, while the net position of the business-type activity increased \$2,500,502.
- General revenues accounted for \$23,953,066 in revenue or 82% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$5,405,853 or 18% of total revenues of \$29,358,919.
- Total program expenses were \$25,664,126. \$24,826,904 in governmental activities and \$837,222 in the business-type activity.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Warren Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2021?" The Statement of Net position and the Statement of Activities answer this question. These statements include all position and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
Unaudited

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - Some services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's food service program is reported as a business-type activity.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds were the General Fund, the Debt Service Fund, the Building Fund, and the Ohio Facilities Construction Commission Fund.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial position that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities (food service); therefore, these statements will essentially match.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
 Unaudited

**The School District as a Whole**

Recall that the Statement of Net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2021 compared to 2020.

(Table 1)  
 Net Position

|  | Governmental Activities |                     | Business-Type Activity |                  | Total               |                     |
|--|-------------------------|---------------------|------------------------|------------------|---------------------|---------------------|
|  | 2021                    | 2020                | 2021                   | 2020             | 2021                | 2020                |
| <b>Assets</b>                              |                         |                     |                        |                  |                     |                     |
| Current and Other Assets                   | \$46,776,381            | \$69,367,419        | \$749,466              | \$618,644        | \$47,525,847        | \$69,986,063        |
| Capital Assets, Net                        | 66,180,085              | 33,363,609          | 3,387,038              | 962,215          | 69,567,123          | 34,325,824          |
| <i>Total Assets</i>                        | <u>112,956,466</u>      | <u>102,731,028</u>  | <u>4,136,504</u>       | <u>1,580,859</u> | <u>117,092,970</u>  | <u>104,311,887</u>  |
| <b>Deferred Outflows of Resources</b>      |                         |                     |                        |                  |                     |                     |
| ARO  | 1,991                   | 2,658               | 0                      | 0                | 1,991               | 2,658               |
| Pension and OPEB                           | 4,971,056               | 4,998,518           | 125,394                | 96,560           | 5,096,450           | 5,095,078           |
| <i>Total Deferred Outflows</i>             | <u>4,973,047</u>        | <u>5,001,176</u>    | <u>125,394</u>         | <u>96,560</u>    | <u>5,098,441</u>    | <u>5,097,736</u>    |
| <b>Liabilities</b>                         |                         |                     |                        |                  |                     |                     |
| Current and Other Liabilities              | 10,671,792              | 9,759,025           | 95,745                 | 73,557           | 10,767,537          | 9,832,582           |
| Long-term Liabilities                      |                         |                     |                        |                  |                     |                     |
| Due Within One Year                        | 1,069,028               | 720,000             | 0                      | 0                | 1,069,028           | 720,000             |
| Due in More Than One Year                  |                         |                     |                        |                  |                     |                     |
| Net Pension Liability                      | 25,059,556              | 23,010,955          | 532,676                | 490,780          | 25,592,232          | 23,501,735          |
| Net OPEB Liability                         | 2,092,173               | 2,431,512           | 181,928                | 211,436          | 2,274,101           | 2,642,948           |
| Other Amounts                              | 30,776,892              | 27,909,475          | 25,622                 | 13,456           | 30,802,514          | 27,922,931          |
| <i>Total Liabilities</i>                   | <u>69,669,441</u>       | <u>63,830,967</u>   | <u>835,971</u>         | <u>789,229</u>   | <u>70,505,412</u>   | <u>64,620,196</u>   |
| <b>Deferred Inflows of Resources</b>       |                         |                     |                        |                  |                     |                     |
| Property Taxes                             | 10,463,629              | 10,250,297          | 0                      | 0                | 10,463,629          | 10,250,297          |
| Pension and OPEB                           | 3,255,829               | 3,642,341           | 108,448                | 71,213           | 3,364,277           | 3,713,554           |
| <i>Total Deferred Inflows of Resources</i> | <u>13,719,458</u>       | <u>13,892,638</u>   | <u>108,448</u>         | <u>71,213</u>    | <u>13,827,906</u>   | <u>13,963,851</u>   |
| <b>Net Position</b>                        |                         |                     |                        |                  |                     |                     |
| Invested in Capital Assets,                |                         |                     |                        |                  |                     |                     |
| Net of Related Debt                        | 39,971,468              | 16,188,931          | 3,387,038              | 962,215          | 43,358,506          | 17,151,146          |
| Restricted                                 | 11,707,083              | 26,647,435          | 0                      | 0                | 11,707,083          | 26,647,435          |
| Unrestricted                               | (17,137,937)            | (12,827,767)        | (69,559)               | (145,238)        | (17,207,496)        | (12,973,005)        |
| <i>Total Net Position</i>                  | <u>\$34,540,614</u>     | <u>\$30,008,599</u> | <u>\$3,317,479</u>     | <u>\$816,977</u> | <u>\$37,858,093</u> | <u>\$30,825,576</u> |

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
Unaudited

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One of the largest impacts on the School District's financial statement in 2021 had absolutely no impact on the School District's financial condition; GASB 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" require the School District to recognize a net Pension and OPEB liability of \$27,866,333. For reasons discussed below, this liability serves only to distort the true financial position of the School District. Users of this financial statement will gain a clearer understanding of the School.

District's actual financial condition by adding deferred inflows related to pension/OPEB and the net pension/OPEB liability to the reported net position and subtracting deferred inflows related to pension/OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension and OPEB costs, GASB 27 and GASB 45 focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68 and GASB 75, the pension and OPEB liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension and OPEB benefit promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension and OPEB system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension and OPEB system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension and OPEB benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension and OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension and OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
Unaudited

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In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension and OPEB expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68 and GASB 75, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Total assets increased \$12,781,083, with governmental position increasing \$10,225,438 and business-type position increasing \$2,555,645.

Total liabilities increased \$5,885,216, with governmental liabilities increasing \$5,838,474 and business-type liabilities increasing \$46,742.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 compared to 2020.

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**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
 Unaudited

(Table 2)  
 Changes in Net Position

|   | Governmental<br>Activities |                     | Business-Type<br>Activity |                  | Total               |                     |
|---|----------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
|   | 2021                       | 2020                | 2021                      | 2020             | 2021                | 2020                |
| <b>Revenues</b>   |                            |                     |                           |                  |                     |                     |
| Program Revenues:   |                            |                     |                           |                  |                     |                     |
| Charges for Services  | \$1,666,453                | \$1,823,749         | \$91,459                  | \$265,894        | \$1,757,912         | \$2,089,643         |
| Operating Grants, Contributions<br>and Interest               | 3,739,400                  | 2,649,935           | 788,738                   | 560,162          | 4,528,138           | 3,210,097           |
| Capital Grants and Contributions                              | 0                          | 0                   | 2,450,664                 | 0                | 2,450,664           | 0                   |
| <b>Total Program Revenues</b>                                 | <b>5,405,853</b>           | <b>4,473,684</b>    | <b>3,330,861</b>          | <b>826,056</b>   | <b>8,736,714</b>    | <b>5,299,740</b>    |
| General Revenues:   |                            |                     |                           |                  |                     |                     |
| Property Taxes  | 10,451,032                 | 9,119,909           | 0                         | 0                | 10,451,032          | 9,119,909           |
| Grants and Entitlements not<br>Restricted to Specific Program | 12,902,811                 | 15,664,034          | 0                         | 0                | 12,902,811          | 15,664,034          |
| Investment Earnings   | 258,256                    | 740,423             | 5,552                     | 0                | 263,808             | 740,423             |
| Insurance Recoveries  | 2,987                      | 0                   | 0                         | 0                | 2,987               | 0                   |
| Miscellaneous   | 337,980                    | 143,261             | 1,311                     | 14,065           | 339,291             | 157,326             |
| <b>Total General Revenues</b>                                 | <b>23,953,066</b>          | <b>25,667,627</b>   | <b>6,863</b>              | <b>24,208</b>    | <b>23,959,929</b>   | <b>25,681,692</b>   |
| <b>Total Revenues</b>   | <b>29,358,919</b>          | <b>30,141,311</b>   | <b>3,337,724</b>          | <b>850,264</b>   | <b>32,696,643</b>   | <b>30,981,432</b>   |
| <b>Program Expenses</b>                                       |                            |                     |                           |                  |                     |                     |
| Instruction:  |                            |                     |                           |                  |                     |                     |
| Regular   | 8,197,879                  | 11,466,440          | 0                         | 0                | 8,197,879           | 11,466,440          |
| Special   | 3,934,350                  | 3,866,369           | 0                         | 0                | 3,934,350           | 3,866,369           |
| Vocational  | 759,576                    | 827,048             | 0                         | 0                | 759,576             | 827,048             |
| Intervention  | 3,021                      | 0                   | 0                         | 0                | 3,021               | 0                   |
| Support Services:   |                            |                     |                           |                  |                     |                     |
| Pupils  | 1,067,369                  | 954,275             | 0                         | 0                | 1,067,369           | 954,275             |
| Instructional Staff   | 818,850                    | 926,423             | 0                         | 0                | 818,850             | 926,423             |
| Board of Education  | 95,530                     | 146,550             | 0                         | 0                | 95,530              | 146,550             |
| Administration  | 2,144,018                  | 1,930,168           | 0                         | 0                | 2,144,018           | 1,930,168           |
| Fiscal  | 742,583                    | 782,632             | 0                         | 0                | 742,583             | 782,632             |
| Business  | 410                        | 3,558               | 0                         | 0                | 410                 | 3,558               |
| Operation and Maintenance                                     |                            |                     |                           |                  |                     |                     |
| of Plant  | 2,931,581                  | 7,883,648           | 0                         | 0                | 2,931,581           | 7,883,648           |
| Pupil Transportation  | 2,192,304                  | 2,177,858           | 0                         | 0                | 2,192,304           | 2,177,858           |
| Central   | 33,929                     | 0                   | 0                         | 0                | 33,929              | 0                   |
| Operation of Non-Instructional                                |                            |                     |                           |                  |                     |                     |
| Services  | 11,117                     | 3,679               | 0                         | 0                | 11,117              | 3,679               |
| Extracurricular Activities                                    | 904,734                    | 981,565             | 0                         | 0                | 904,734             | 981,565             |
| Interest and Fiscal Charges                                   | 989,653                    | 926,232             | 0                         | 0                | 989,653             | 926,232             |
| Food Service  | 0                          | 0                   | 837,222                   | 841,478          | 837,222             | 841,478             |
| <b>Total Expenses</b>   | <b>24,826,904</b>          | <b>32,876,445</b>   | <b>837,222</b>            | <b>841,478</b>   | <b>25,664,126</b>   | <b>33,717,923</b>   |
| Increase in Net Position                                      | 4,532,015                  | (2,735,134)         | 2,500,502                 | 8,786            | 7,032,517           | (2,736,491)         |
| Net Position Beginning<br>of Year (Restated)                  | 30,008,599                 | N/A                 | 816,977                   | N/A              | 30,825,576          | N/A                 |
| <b>Net Position End of Year</b>                               | <b>\$34,540,614</b>        | <b>\$30,008,599</b> | <b>\$3,317,479</b>        | <b>\$816,977</b> | <b>\$37,858,093</b> | <b>\$30,825,576</b> |

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
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GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68 and 75, pension and OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense.

From fiscal year 2020 to fiscal year 2021, total revenues increased \$1,715,211 while total expenses decreased \$8,053,797. Revenues outpaced expenses by \$7,032,517.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

***Governmental Activities***

Property taxes made up approximately 36 percent of revenues for governmental activities for Warren Local School District. Of the remaining revenues, the School District receives 57 percent from state foundation, federal, and state grants; 6 percent from charges for services; and less than 1 percent from interest and local revenues.

Nearly 50 percent of the School District's budget is used to fund instructional expenses. Support services make up 39 percent of expenses and 11 percent is used for extracurricular activities, non-instructional services, food service, and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

**Warren Local School District, Ohio**  
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(Table 3)  
 Governmental Activities

|   | Total Cost<br>of Services | Net Cost<br>of Services | Total Cost<br>of Services | Net Cost<br>of Services |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
|   | 2021                      | 2021                    | 2020                      | 2020                    |
| <b>Program Expenses</b>                 |                           |                         |                           |                         |
| Instruction:                            |                           |                         |                           |                         |
| Regular                                 | \$8,197,879               | \$6,318,855             | \$11,466,440              | \$9,725,334             |
| Special                                 | 3,934,350                 | 1,929,452               | 3,866,369                 | 2,092,973               |
| Vocational                              | 759,576                   | 592,445                 | 827,048                   | 646,329                 |
| Student Intervention Services           | 3,021                     | 3,021                   | 0                         | 0                       |
| Support Services:                       |                           |                         |                           |                         |
| Pupils                                  | 1,067,369                 | 390,954                 | 954,275                   | 566,883                 |
| Instructional Staff                     | 818,850                   | 680,035                 | 926,423                   | 913,676                 |
| Board of Education                      | 95,530                    | 95,530                  | 146,550                   | 146,550                 |
| Administration                          | 2,144,018                 | 2,141,694               | 1,930,168                 | 1,919,498               |
| Fiscal                                  | 742,583                   | 742,583                 | 782,632                   | 782,632                 |
| Business                                | 410                       | 410                     | 3,558                     | 3,558                   |
| Operation and Maintenance of Plant      | 2,931,581                 | 2,728,843               | 7,883,648                 | 7,883,648               |
| Pupil Transportation                    | 2,192,304                 | 2,111,941               | 2,177,858                 | 2,144,236               |
| Central                                 | 33,929                    | 33,929                  | 0                         | 0                       |
| Operation of Non-Instructional Services | 11,117                    | 2,723                   | 3,679                     | 3,679                   |
| Extracurricular Activities              | 904,734                   | 658,983                 | 981,565                   | 647,533                 |
| Interest and Fiscal Charges             | 989,653                   | 989,653                 | 926,232                   | 926,232                 |
| <b>Total</b>                            | <b>\$24,826,904</b>       | <b>\$19,421,051</b>     | <b>\$32,876,445</b>       | <b>\$28,402,761</b>     |

The table above reflects how the School District funds its programs through program revenues. Instructional services, support services, and interest charges rely heavily on general revenues, while extracurricular activities were completely funded by program revenues during the fiscal year. The large decrease in instructional and support services is a byproduct of GASB 68 and 75 as previously discussed.

***Business-Type Activity***

The business-type activity is the School District's food service operation. This program had total revenues of \$3,337,724 and total expenses of \$837,222 for fiscal year 2021. Program receipts for this activity consist of food service sales and state and federal grants for lunchroom programs. The food service activity has operated effectively enough to avoid operating transfers from the governmental activities.

**The School District Funds**

All governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$47,389,523 and expenditures of \$57,055,940. The School District's General Fund had a fund balance increase of \$372,327. The Debt Service Fund had a fund balance increase of \$161,322, the Building Capital Projects Fund had a fund balance decrease of \$1,833,745, and the Ohio Facilities Construction Commission Capital Projects Fund had a fund balance decrease of \$5,024,298.

***General Fund Budgeting Highlights***

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



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During the course of fiscal year 2021, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$24,121,828, \$157,842 below final estimates of \$24,279,670. Original budgeted revenues were increased \$2,450,001 mainly for property taxes and grants. Expenditures of \$23,157,701 were below final appropriations by \$1,329,410.

**Capital Position**

At the end of fiscal year 2021, the School District had \$69,567,123 invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2021 balances compared to 2020.

(Table 4)  
 Capital Assets at June 30 (Net of Depreciation)

|                            | Governmental Activities |                     | Business-Type Activities |                  | Total               |                     |
|----------------------------|-------------------------|---------------------|--------------------------|------------------|---------------------|---------------------|
|                            | 2021                    | 2020                | 2021                     | 2020             | 2021                | 2020                |
| Land                       | \$282,222               | \$330,057           | \$0                      | \$0              | \$282,222           | \$330,057           |
| Construction in Progress   | 55,043,967              | 20,892,237          | 3,319,572                | 868,908          | 58,363,539          | 21,761,145          |
| Buildings and Improvements | 9,237,647               | 10,435,148          | 0                        | 0                | 9,237,647           | 10,435,148          |
| Furniture and Equipment    | 653,107                 | 731,363             | 67,466                   | 93,307           | 720,573             | 824,670             |
| Vehicles                   | 963,142                 | 974,804             | 0                        | 0                | 963,142             | 974,804             |
| <b>Totals</b>              | <b>\$66,180,085</b>     | <b>\$33,363,609</b> | <b>\$3,387,038</b>       | <b>\$962,215</b> | <b>\$69,567,123</b> | <b>\$34,325,824</b> |

See Note 13 to the basic financial statements for more information on capital position.

**Debt Service**

At June 30, 2021, the School District had \$29,831,856 in bonds and capital lease outstanding.

(Table 5)  
 Outstanding Debt, at Fiscal Year End  
 Governmental Activities

|                                    | 2021                | 2020                |
|------------------------------------|---------------------|---------------------|
| 2017 School Facilities             |                     |                     |
| Construction and Improvement Bonds | \$22,724,856        | \$23,215,351        |
| Asset Retirement Obligation        | 20,000              | 20,000              |
| Capital Leases                     | 7,107,000           | 3,290,000           |
| <b>Totals</b>                      | <b>\$29,851,856</b> | <b>\$26,525,351</b> |

See Notes 16 and 17 to the basic financial statements for more information on these obligations.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2021*  
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**Current Issues**

The continued attempt to control the inflationary raise in the school foundation formula and shifting of the tax base may contain the amount of payment the Legislature has to contribute to the school districts of the State. It will not contain the rising price of fuel for the buses, power and heating costs, the repair and maintenance of our facilities, the rising cost of benefits, and other contractual items. It is the stated goal of the Board of Education to assure the School District operates such that its one-year budget and five-year forecast maintain a cash surplus equal to or greater than two months operating expenses and to use a ratio of 80% to the total annual budget/total annual revenue as a benchmark for determining the fiscal "health" of the School District. Maintaining these goals with the influence of the previously listed budgetary factors will become increasingly difficult.

One major challenges of the School District was the maintenance of old structures throughout the School District. The School District was successful in passing a bond levy in May of 2017 which facilitated working with the Ohio Facilities Construction Commission to build a new high school, a new elementary school, renovations/additions to the current middle school, and upgrade the sports facilities. On August 8, 2017, the School District issued School Facilities Construction and Improvement Bonds consisting of \$4,825,000 in serial bonds and \$18,175,000 in term bonds. The bonds will mature on December 1, 2047. These bonds were issued to finance the construction of these new facilities.

The challenge for all school districts is to provide a quality education to their students while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The School District is reviewing its sources of revenue and has determined that increases will be difficult to obtain. We are currently reviewing our projected expenditures including benefits and staffing levels in an attempt to maintain our stated financial goals and the quality of education.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Melcie Wells, Treasurer at Warren Local School District, 220 Sweetapple Road, Vincent, Ohio 45784, or e-mail at [melcie.wells@warrenlocal.org](mailto:melcie.wells@warrenlocal.org).

**Warren Local School District, Ohio**  
*Statement of Net Position*  
June 30, 2021

|   | Governmental<br>Activities | Business-Type<br>Activity | Total               |
|---|----------------------------|---------------------------|---------------------|
| <b>Assets</b>                                   |                            |                           |                     |
| Equity in Pooled Cash and Cash Equivalents      | \$25,795,697               | \$617,462                 | \$26,413,159        |
| Inventory Held for Resale                       | 0                          | 24,641                    | 24,641              |
| Materials and Supplies Inventory                | 302,396                    | 3,731                     | 306,127             |
| Intergovernmental Receivable                    | 7,620,439                  | 103,106                   | 7,723,545           |
| Accounts Receivable                             | 8,740                      | 0                         | 8,740               |
| Prepaid Items                                   | 25,852                     | 526                       | 26,378              |
| Property Taxes Receivable                       | 11,648,010                 | 0                         | 11,648,010          |
| Nondepreciable Capital Assets                   | 55,326,189                 | 3,319,572                 | 58,645,761          |
| Depreciable Capital Assets, Net                 | 10,853,896                 | 67,466                    | 10,921,362          |
| Net OPEB Asset                                  | 1,375,247                  | 0                         | 1,375,247           |
| <i>Total Assets</i>                             | <u>112,956,466</u>         | <u>4,136,504</u>          | <u>117,092,970</u>  |
| <b>Deferred Outflows of Resources</b>           |                            |                           |                     |
| Deferred Outflows ARO                           | 1,991                      | 0                         | 1,991               |
| Pension and OPEB                                | 4,971,056                  | 125,394                   | 5,096,450           |
| <i>Total Deferred Outflows of Resources</i>     | <u>4,973,047</u>           | <u>125,394</u>            | <u>5,098,441</u>    |
| <b>Liabilities</b>                              |                            |                           |                     |
| Accounts Payable                                | 175,200                    | 20,035                    | 195,235             |
| Accrued Wages and Benefits Payable              | 2,157,785                  | 59,132                    | 2,216,917           |
| Contracts Payable                               | 6,250,237                  | 2,054                     | 6,252,291           |
| Retainage Payable                               | 834,211                    | 0                         | 834,211             |
| Accrued Vacation Benefits Payable               | 122,752                    | 0                         | 122,752             |
| Matured Compensated Absences Payable            | 124,058                    | 0                         | 124,058             |
| Intergovernmental Payable                       | 449,756                    | 14,524                    | 464,280             |
| Accrued Interest Payable                        | 81,289                     | 0                         | 81,289              |
| Claims Payable                                  | 476,504                    | 0                         | 476,504             |
| Long-Term Liabilities:                          |                            |                           |                     |
| Due Within One Year                             | 1,069,028                  | 0                         | 1,069,028           |
| Due In More Than One Year:                      |                            |                           |                     |
| Net Pension Liability                           | 25,059,556                 | 532,676                   | 25,592,232          |
| Net OPEB Liability                              | 2,092,173                  | 181,928                   | 2,274,101           |
| Other Amounts Due in More than One Year         | 30,776,892                 | 25,622                    | 30,802,514          |
| <i>Total Liabilities</i>                        | <u>69,669,441</u>          | <u>835,971</u>            | <u>70,505,412</u>   |
| <b>Deferred Inflows of Resources</b>            |                            |                           |                     |
| Property Taxes                                  | 10,463,629                 | 0                         | 10,463,629          |
| Pension and OPEB                                | 3,255,829                  | 108,448                   | 3,364,277           |
| <i>Total Deferred Inflows of Resources</i>      | <u>13,719,458</u>          | <u>108,448</u>            | <u>13,827,906</u>   |
| <b>Net Position</b>                             |                            |                           |                     |
| Invested in Capital Assets, Net of Related Debt | 39,971,468                 | 3,387,038                 | 43,358,506          |
| Restricted for:                                 |                            |                           |                     |
| Unclaimed Monies                                | 15,697                     | 0                         | 15,697              |
| Capital Projects                                | 10,540,943                 | 0                         | 10,540,943          |
| Community Involvement                           | 16,020                     | 0                         | 16,020              |
| Students  | 110,281                    | 0                         | 110,281             |
| Athletic and Music                              | 28,524                     | 0                         | 28,524              |
| State Grants                                    | 18,487                     | 0                         | 18,487              |
| Federal Grants                                  | 112,497                    | 0                         | 112,497             |
| Student Wellness                                | 273,050                    | 0                         | 273,050             |
| Classroom Facilities                            | 592,787                    | 0                         | 592,787             |
| Unrestricted (Deficits)                         | (17,139,140)               | (69,559)                  | (17,208,699)        |
| <i>Total Net Position</i>                       | <u>\$34,540,614</u>        | <u>\$3,317,479</u>        | <u>\$37,858,093</u> |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2021

|   | Program Revenues    |                      |  | Net (Expense)Revenue and Changes in Net Position |                         |                        |                     |
|---|---------------------|----------------------|--|--|-------------------------|------------------------|---------------------|
|   | Expenses            | Charges for Services | Operating Grants, Contributions and Interest | Capital Grants and Contributions                 | Governmental Activities | Business-Type Activity | Total               |
| <b>Governmental Activities</b>                                |                     |                      |  |  |                         |                        |                     |
| Instruction:  |                     |                      |  |  |                         |                        |                     |
| Regular   | \$8,197,879         | \$1,407,580          | \$471,444                                    | \$0  | (\$6,318,855)           | \$0                    | (\$6,318,855)       |
| Special   | 3,934,350           | 42,736               | 1,962,162                                    | 0  | (1,929,452)             | 0                      | (1,929,452)         |
| Vocational  | 759,576             | 0                    | 167,131                                      | 0  | (592,445)               | 0                      | (592,445)           |
| Intervention  | 3,021               | 0                    | 0  | 0  | (3,021)                 | 0                      | (3,021)             |
| Support Services:   |                     |                      |  |  |                         |                        |                     |
| Pupils  | 1,067,369           | 0                    | 676,415                                      | 0  | (390,954)               | 0                      | (390,954)           |
| Instructional Staff   | 818,850             | 0                    | 138,815                                      | 0  | (680,035)               | 0                      | (680,035)           |
| Board of Education  | 95,530              | 0                    | 0  | 0  | (95,530)                | 0                      | (95,530)            |
| Administration  | 2,144,018           | 508                  | 1,816  | 0  | (2,141,694)             | 0                      | (2,141,694)         |
| Fiscal  | 742,583             | 0                    | 0  | 0  | (742,583)               | 0                      | (742,583)           |
| Business  | 410                 | 0                    | 0  | 0  | (410)                   | 0                      | (410)               |
| Operation and Maintenance of Plant                            | 2,931,581           | 0                    | 202,738                                      | 0  | (2,728,843)             | 0                      | (2,728,843)         |
| Pupil Transportation  | 2,192,304           | 0                    | 80,363                                       | 0  | (2,111,941)             | 0                      | (2,111,941)         |
| Central   | 33,929              | 0                    | 0  | 0  | (33,929)                | 0                      | (33,929)            |
| Operation of Non-Instructional Services                       | 11,117              | 0                    | 8,394  | 0  | (2,723)                 | 0                      | (2,723)             |
| Extracurricular Activities                                    | 904,734             | 215,629              | 30,122                                       | 0  | (658,983)               | 0                      | (658,983)           |
| Interest and Fiscal Charges                                   | 989,653             | 0                    | 0  | 0  | (989,653)               | 0                      | (989,653)           |
| <i>Total Governmental Activities</i>                          | <u>24,826,904</u>   | <u>1,666,453</u>     | <u>3,739,400</u>                             | <u>0</u>   | <u>(19,421,051)</u>     | <u>0</u>               | <u>(19,421,051)</u> |
| <b>Business-Type Activity</b>                                 |                     |                      |  |  |                         |                        |                     |
| Food Service  | 837,222             | 91,459               | 788,738                                      | 2,450,664  | 0                       | 2,493,639              | 2,493,639           |
| <i>Totals</i>   | <u>\$25,664,126</u> | <u>\$1,757,912</u>   | <u>\$4,528,138</u>                           | <u>\$2,450,664</u>                               | <u>(19,421,051)</u>     | <u>2,493,639</u>       | <u>(16,927,412)</u> |
| <b>General Revenues</b>                                       |                     |                      |  |  |                         |                        |                     |
| Property Taxes Levied for:                                    |                     |                      |  |  |                         |                        |                     |
| General Purposes  |                     |                      |  |  | 8,817,267               | 0                      | 8,817,267           |
| Classroom Facilities  |                     |                      |  |  | 163,413                 | 0                      | 163,413             |
| Debt Service  |                     |                      |  |  | 1,470,352               | 0                      | 1,470,352           |
| Grants and Entitlements not Restricted to Specific Program    |                     |                      |  |  | 12,902,811              | 0                      | 12,902,811          |
| Investment Earnings   |                     |                      |  |  | 258,256                 | 5,552                  | 263,808             |
| Miscellaneous   |                     |                      |  |  | 337,980                 | 1,311                  | 339,291             |
| Insurance Recoveries  |                     |                      |  |  | 2,987                   | 0                      | 2,987               |
| <i>Total General Revenues</i>                                 |                     |                      |  |  | <u>23,953,066</u>       | <u>6,863</u>           | <u>23,959,929</u>   |
| <i>Change in Net Position</i>                                 |                     |                      |  |  | <u>4,532,015</u>        | <u>2,500,502</u>       | <u>7,032,517</u>    |
| <i>Net Position Beginning of Year (Restated - See Note 3)</i> |                     |                      |  |  | <u>30,008,599</u>       | <u>816,977</u>         | <u>30,825,576</u>   |
| <i>Net Position End of Year</i>                               |                     |                      |  |  | <u>\$34,540,614</u>     | <u>\$3,317,479</u>     | <u>\$37,858,093</u> |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2021*

|  | General             | Debt<br>Service<br>Fund | Building<br>Fund   | Ohio Facilities<br>Construction<br>Commission | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------|--------------------|---|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                         |                    |   |                                |                                |
| Equity in Pooled Cash and Cash Equivalents                                   | \$9,281,320         | \$1,280,777             | \$4,922,646        | \$7,652,153                                   | \$2,570,696                    | \$25,707,592                   |
| Receivables:   |                     |                         |                    |   |                                |                                |
| Property Taxes   | 9,960,109           | 1,518,940               | 0                  | 0   | 168,961                        | 11,648,010                     |
| Accounts   | 2,740               | 0                       | 0                  | 0   | 6,000                          | 8,740                          |
| Interfund  | 257,418             | 0                       | 0                  | 0   | 0                              | 257,418                        |
| Intergovernmental  | 36,216              | 0                       | 0                  | 6,950,670                                     | 633,553                        | 7,620,439                      |
| Materials and Supplies Inventory   | 302,396             | 0                       | 0                  | 0   | 0                              | 302,396                        |
| Prepaid Items  | 25,852              | 0                       | 0                  | 0   | 0                              | 25,852                         |
| Restricted Assets:   |                     |                         |                    |   |                                |                                |
| Equity in Pooled Cash and Cash Equivalents                                   | 15,697              | 0                       | 0                  | 0   | 0                              | 15,697                         |
| <i>Total Assets</i>  | <u>\$19,881,748</u> | <u>\$2,799,717</u>      | <u>\$4,922,646</u> | <u>\$14,602,823</u>                           | <u>\$3,379,210</u>             | <u>\$45,586,144</u>            |
| <b>Liabilities and Fund Balances</b>   |                     |                         |                    |   |                                |                                |
| <b>Liabilities</b>   |                     |                         |                    |   |                                |                                |
| Accounts Payable   | \$72,740            | \$0                     | \$0                | \$0   | \$102,460                      | \$175,200                      |
| Accrued Wages and Benefits Payable   | 1,981,971           | 0                       | 0                  | 0   | 175,814                        | 2,157,785                      |
| Contracts Payable  | 124,151             | 0                       | 1,931,024          | 4,156,951                                     | 38,111                         | 6,250,237                      |
| Retainage Payable  | 0                   | 0                       | 170,144            | 664,067                                       | 0                              | 834,211                        |
| Interfund Payable  | 0                   | 0                       | 0                  | 0   | 257,418                        | 257,418                        |
| Intergovernmental Payable  | 420,501             | 0                       | 0                  | 0   | 29,255                         | 449,756                        |
| Matured Compensated Absences Payable   | 124,058             | 0                       | 0                  | 0   | 0                              | 124,058                        |
| <i>Total Liabilities</i>   | <u>2,723,421</u>    | <u>0</u>                | <u>2,101,168</u>   | <u>4,821,018</u>                              | <u>603,058</u>                 | <u>10,248,665</u>              |
| <b>Deferred Inflows of Revenues</b>  |                     |                         |                    |   |                                |                                |
| Deferred Inflows - Taxes   | 8,883,367           | 1,422,190               | 0                  | 0   | 158,072                        | 10,463,629                     |
| Unavailable Revenue  | 862,894             | 60,631                  | 0                  | 2,672,403                                     | 208,227                        | 3,804,155                      |
| <i>Total Deferred Inflows of Revenues</i>                                    | <u>9,746,261</u>    | <u>1,482,821</u>        | <u>0</u>           | <u>2,672,403</u>                              | <u>366,299</u>                 | <u>14,267,784</u>              |
| <b>Fund Balances</b>   |                     |                         |                    |   |                                |                                |
| Nonspendable   | 343,945             | 0                       | 0                  | 0   | 0                              | 343,945                        |
| Restricted   | 0                   | 1,316,896               | 2,821,478          | 7,109,402                                     | 1,064,467                      | 12,312,243                     |
| Committed  | 219,186             | 0                       | 0                  | 0   | 12,307                         | 231,493                        |
| Assigned   | 532,604             | 0                       | 0                  | 0   | 1,405,399                      | 1,938,003                      |
| Unassigned (Deficit)   | 6,316,331           | 0                       | 0                  | 0   | (72,320)                       | 6,244,011                      |
| <i>Total Fund Balances</i>   | <u>7,412,066</u>    | <u>1,316,896</u>        | <u>2,821,478</u>   | <u>7,109,402</u>                              | <u>2,409,853</u>               | <u>21,069,695</u>              |
| <i>Total Liabilities, Deferred Inflows<br/>of Revenues and Fund Balances</i> | <u>\$19,881,748</u> | <u>\$2,799,717</u>      | <u>\$4,922,646</u> | <u>\$14,602,823</u>                           | <u>\$3,379,210</u>             | <u>\$45,586,144</u>            |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position Governmental Activities  
 June 30, 2021*

|   |              |                     |
|---|--------------|---------------------|
| <b>Total Governmental Fund Balances</b>   |              | <b>\$21,069,695</b> |
| <i>Amounts reported for governmental activities in the statement of net position are different because</i>  |              |                     |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.   |              | 66,180,085          |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:  |              |                     |
| Delinquent Property Taxes   | 917,892      |                     |
| Intergovernmental Revenues  | 2,881,461    |                     |
| Tuition and Fees  | 4,802        | 3,804,155           |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net position.              |              | (404,096)           |
| Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.  |              | (122,752)           |
| The asset retirement obligation, net pension liability, and net OPEB liability/asset are not due and payable in the current period; therefore, the liabilities, asset, and related deferred inflows/outflows are not reported in the funds: |              |                     |
| Deferred Outflows - Asset Retirement Obligation   | 1,991        |                     |
| Net OPEB Asset  | 1,375,247    |                     |
| Deferred Outflows - Pension   | 4,257,359    |                     |
| Deferred Inflows - Pension  | (473,435)    |                     |
| Net Pension Liability   | (25,059,556) |                     |
| Deferred Outflows - OPEB  | 713,697      |                     |
| Deferred Inflows - OPEB   | (2,782,394)  |                     |
| Net OPEB Liability  | (2,092,173)  | (24,059,264)        |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:  |              |                     |
| Asset Retirement Obligation   | (20,000)     |                     |
| Capital Lease Payable   | (7,107,000)  |                     |
| School Facilities Construction and Improvement Bonds Payable  | (22,724,856) | (29,851,856)        |
| Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the balance sheet.  |              | (81,289)            |
| Sick Leave Benefits Payable which are long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:  |              | (1,994,064)         |
| Net Position of Governmental Activities   |              | <b>\$34,540,614</b> |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2021*

|   | General            | Debt Service Fund  | Building Fund      | Ohio Facilities Construction Commission | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|--------------------|--------------------|---|--------------------------|--------------------------|
| <b>Revenues</b>                                     |                    |                    |                    |   |                          |                          |
| Taxes   | \$8,342,386        | \$1,469,370        | \$0                | \$0                                     | \$163,282                | \$9,975,038              |
| Intergovernmental                                   | 13,925,206         | 41,796             | 0                  | 18,691,653                              | 2,396,361                | 35,055,016               |
| Interest  | 63,137             | 0                  | 68,975             | 90,076                                  | 35,670                   | 257,858                  |
| Tuition and Fees                                    | 1,445,082          | 0                  | 0                  | 0                                       | 0                        | 1,445,082                |
| Extracurricular Activities                          | 52,834             | 0                  | 0                  | 0                                       | 162,633                  | 215,467                  |
| Gifts and Donations                                 | 3,360              | 0                  | 0                  | 0                                       | 99,722                   | 103,082                  |
| Miscellaneous                                       | 306,356            | 0                  | 0                  | 0                                       | 31,624                   | 337,980                  |
| <i>Total Revenues</i>                               | <u>24,138,361</u>  | <u>1,511,166</u>   | <u>68,975</u>      | <u>18,781,729</u>                       | <u>2,889,292</u>         | <u>47,389,523</u>        |
| <b>Expenditures</b>                                 |                    |                    |                    |   |                          |                          |
| Current:  |                    |                    |                    |   |                          |                          |
| Instruction:  |                    |                    |                    |   |                          |                          |
| Regular   | 10,846,594         | 0                  | 0                  | 0                                       | 381,017                  | 11,227,611               |
| Special   | 2,655,416          | 0                  | 0                  | 0                                       | 1,054,259                | 3,709,675                |
| Vocational  | 725,962            | 0                  | 0                  | 0                                       | 3,519                    | 729,481                  |
| Intervention  | 3,021              | 0                  | 0                  | 0                                       | 0                        | 3,021                    |
| Support Services:                                   |                    |                    |                    |   |                          |                          |
| Pupils  | 506,574            | 0                  | 0                  | 0                                       | 504,304                  | 1,010,878                |
| Instructional Staff                                 | 618,365            | 0                  | 0                  | 0                                       | 124,792                  | 743,157                  |
| Board of Education                                  | 95,530             | 0                  | 0                  | 0                                       | 0                        | 95,530                   |
| Administration                                      | 1,834,646          | 0                  | 0                  | 0                                       | 0                        | 1,834,646                |
| Fiscal  | 678,396            | 29,594             | 0                  | 0                                       | 3,285                    | 711,275                  |
| Business  | 410                | 0                  | 0                  | 0                                       | 0                        | 410                      |
| Operation and Maintenance of Plant                  | 1,796,065          | 0                  | 0                  | 0                                       | 196,696                  | 1,992,761                |
| Pupil Transportation                                | 1,990,088          | 0                  | 0                  | 0                                       | 46,917                   | 2,037,005                |
| Central   | 27,968             | 0                  | 0                  | 0                                       | 0                        | 27,968                   |
| Operation of Non-Instructional Services             | 0                  | 0                  | 0                  | 0                                       | 6,195                    | 6,195                    |
| Extracurricular Activities                          | 533,292            | 0                  | 0                  | 0                                       | 240,384                  | 773,676                  |
| Capital Outlay                                      | 463,985            | 0                  | 5,902,720          | 23,806,027                              | 323,873                  | 30,496,605               |
| Debt Service:                                       |                    |                    |                    |   |                          |                          |
| Principal Payments                                  | 295,000            | 425,000            | 0                  | 0                                       | 0                        | 720,000                  |
| Interest  | 40,796             | 895,250            | 0                  | 0                                       | 0                        | 936,046                  |
| <i>Total Expenditures</i>                           | <u>23,112,108</u>  | <u>1,349,844</u>   | <u>5,902,720</u>   | <u>23,806,027</u>                       | <u>2,885,241</u>         | <u>57,055,940</u>        |
| <i>Excess of Revenues Over/(Under) Expenditures</i> | <u>1,026,253</u>   | <u>161,322</u>     | <u>(5,833,745)</u> | <u>(5,024,298)</u>                      | <u>4,051</u>             | <u>(9,666,417)</u>       |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                    |   |                          |                          |
| Transfers In  | 0                  | 0                  | 0                  | 0                                       | 735,000                  | 735,000                  |
| Inception of Capital Lease                          | 3,107,000          | 0                  | 4,000,000          | 0                                       | 0                        | 7,107,000                |
| Proceeds from Sale of Capital Assets                | 2,400              | 0                  | 0                  | 0                                       | 132,856                  | 135,256                  |
| Insurances Recoveries                               | 2,987              | 0                  | 0                  | 0                                       | 0                        | 2,987                    |
| Transfers Out                                       | (735,000)          | 0                  | 0                  | 0                                       | 0                        | (735,000)                |
| Payments to Refunded Bond Escrow Agent              | (3,031,313)        | 0                  | 0                  | 0                                       | 0                        | (3,031,313)              |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(653,926)</u>   | <u>0</u>           | <u>4,000,000</u>   | <u>0</u>                                | <u>867,856</u>           | <u>4,213,930</u>         |
| <i>Net Change in Fund Balance</i>                   | <u>372,327</u>     | <u>161,322</u>     | <u>(1,833,745)</u> | <u>(5,024,298)</u>                      | <u>871,907</u>           | <u>(5,452,487)</u>       |
| <i>Fund Balances Beginning of Year</i>              | <u>7,039,739</u>   | <u>1,155,574</u>   | <u>4,655,223</u>   | <u>12,133,700</u>                       | <u>1,537,946</u>         | <u>26,522,182</u>        |
| <i>Fund Balances End of Year</i>                    | <u>\$7,412,066</u> | <u>\$1,316,896</u> | <u>\$2,821,478</u> | <u>\$7,109,402</u>                      | <u>\$2,409,853</u>       | <u>\$21,069,695</u>      |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2021*

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**Net Change in Fund Balances - Total Governmental Funds** (\$5,452,487)

***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation:

|                         |                  |            |
|-------------------------|------------------|------------|
| Capital Asset Additions | 34,299,528       |            |
| Depreciation Expense    | <u>(473,963)</u> | 33,825,565 |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The net effect is a decrease net position. (1,009,089)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

|                            |                     |              |
|----------------------------|---------------------|--------------|
| Delinquent Property Taxes  | 475,994             |              |
| Intergovernmental Revenues | <u>(18,515,887)</u> |              |
| Tuition and Fees           | <u>4,802</u>        | (18,035,091) |

Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows.

|         |               |           |
|---------|---------------|-----------|
| Pension | 1,806,824     |           |
| OPEB    | <u>60,889</u> | 1,867,713 |

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.

|         |                    |             |
|---------|--------------------|-------------|
| Pension | <u>(3,217,226)</u> |             |
| OPEB    | <u>73,862</u>      | (3,143,364) |

Amortization of deferred inflows related to the asset retirement obligation is reported as an expense in the statement of activities. (667)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:

|                          |                |           |
|--------------------------|----------------|-----------|
| Capital Lease            | 3,290,000      |           |
| General Obligation Bonds | <u>425,000</u> | 3,715,000 |

Amortization of bond premiums are not reported in the funds, but are allocated as an expense over the life of the debt in the Statement of Activities 65,495

Inception of Capital Leases are reported as other financing sources in the governmental funds, but the inception increases long-term liabilities on the statement of activities. (7,107,000)

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. (81,289)

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

|                             |                |         |
|-----------------------------|----------------|---------|
| Vacation Benefits Payable   | (9,655)        |         |
| Sick Leave Benefits Payable | <u>110,060</u> | 100,405 |

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (213,176)

*Change in Net Position of Governmental Activities* \$4,532,015

See accompanying notes to the basic financial statements



**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2021*

|   | Budgeted Amounts   |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------|---|
|   | Original           | Final              | Actual             |   |
| <b>Revenues</b>                                     |                    |                    |                    |   |
| Property Taxes                                      | \$7,499,476        | \$8,341,162        | \$8,287,821        | (\$53,341)  |
| Intergovernmental                                   | 12,579,570         | 13,991,408         | 13,973,480         | (17,928)  |
| Interest  | 58,441             | 65,000             | 63,137             | (1,863)   |
| Tuition and Fees                                    | 1,375,701          | 1,530,100          | 1,445,082          | (85,018)  |
| Extracurricular Activities                          | 46,753             | 52,000             | 51,894             | (106)   |
| Miscellaneous                                       | 269,728            | 300,000            | 300,414            | 414   |
| <i>Total Revenues</i>                               | <u>21,829,669</u>  | <u>24,279,670</u>  | <u>24,121,828</u>  | <u>(157,842)</u>  |
| <b>Expenditures</b>                                 |                    |                    |                    |   |
| Current:  |                    |                    |                    |   |
| Instruction:  |                    |                    |                    |   |
| Regular   | 11,784,800         | 11,944,734         | 10,789,880         | 1,154,854   |
| Special   | 2,684,120          | 2,720,547          | 2,646,277          | 74,270  |
| Vocational  | 842,997            | 854,437            | 737,170            | 117,267   |
| Student Intervention Services                       | 13,156             | 13,335             | 944                | 12,391  |
| Support Services:                                   |                    |                    |                    |   |
| Pupils  | 767,708            | 778,127            | 508,506            | 269,621   |
| Instructional Staff                                 | 695,803            | 705,246            | 646,647            | 58,599  |
| Board of Education                                  | 170,828            | 173,146            | 93,642             | 79,504  |
| Administration                                      | 1,698,421          | 1,721,471          | 1,823,991          | (102,520)   |
| Fiscal  | 675,814            | 684,986            | 699,212            | (14,226)  |
| Business  | 4,235              | 4,292              | 410                | 3,882   |
| Operation and Maintenance of Plant                  | 1,666,824          | 1,689,445          | 1,792,789          | (103,344)   |
| Pupil Transportation                                | 1,955,261          | 1,981,796          | 1,973,752          | 8,044   |
| Central   | 33,099             | 33,548             | 28,125             | 5,423   |
| Extracurricular Activities                          | 611,421            | 619,719            | 577,497            | 42,222  |
| Capital Outlay                                      | 186,813            | 189,348            | 503,063            | (313,715)   |
| Debt Service:                                       |                    |                    |                    |   |
| Principal Payments                                  | 295,000            | 295,000            | 295,000            | 0   |
| Interest and Fiscal Charges                         | 77,934             | 77,934             | 40,796             | 37,138  |
| <i>Total Expenditures</i>                           | <u>24,164,234</u>  | <u>24,487,111</u>  | <u>23,157,701</u>  | <u>1,329,410</u>  |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(2,334,565)</u> | <u>(207,441)</u>   | <u>964,127</u>     | <u>1,171,568</u>  |
| <b>Other Financing Sources (Uses)</b>               |                    |                    |                    |   |
| Refund of Prior Year Expenditures                   | 25,000             | 25,000             | 20,000             | (5,000)   |
| Proceeds from Sale of Capital Assets                | 0                  | 0                  | 2,400              | 2,400   |
| Insurance Recoveries                                | 0                  | 0                  | 2,987              | 2,987   |
| Inception of Capital Lease                          | 0                  | 3,107,000          | 3,107,000          | 0   |
| Payment to Escrow Agent                             | 0                  | (3,031,313)        | (3,031,313)        | 0   |
| Other Financing Uses                                | 0                  | (61,061)           | 0                  | 61,061  |
| Transfers Out                                       | (125,000)          | (960,000)          | (835,000)          | 125,000   |
| <i>Total Other Financing Sources (Uses)</i>         | <u>(100,000)</u>   | <u>(920,374)</u>   | <u>(733,926)</u>   | <u>186,448</u>  |
| <i>Net Change in Fund Balance</i>                   | <u>(2,434,565)</u> | <u>(1,127,815)</u> | <u>230,201</u>     | <u>1,358,016</u>  |
| <i>Fund Balance Beginning of Year</i>               | 8,547,427          | 8,547,427          | 8,547,427          | 0   |
| Prior Year Encumbrances Appropriated                | 255,457            | 255,457            | 255,457            | 0   |
| <i>Fund Balance End of Year</i>                     | <u>\$6,368,319</u> | <u>\$7,675,069</u> | <u>\$9,033,085</u> | <u>\$1,358,016</u>                                      |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Statement of Fund Position*

*Proprietary Funds*

*June 30, 2021*

|  | <u>Business-Type<br/>Activity</u>     | <u>Governmental<br/>Activities</u>  |
|--|---------------------------------------|---|
|  | Food<br>Service<br>Enterprise<br>Fund | Medical, Dental and<br>Prescription<br>Insurance Internal<br>Service Fund |
| <b>Assets</b>                              |                                       |   |
| Current Assets:                            |                                       |   |
| Equity in Pooled Cash and Cash Equivalents | \$617,462                             | \$72,408  |
| Inventory Held for Resale                  | 24,641                                | 0   |
| Materials and Supplies Inventory           | 3,731                                 | 0   |
| Intergovernmental Receivable               | 103,106                               | 0   |
| Prepaid Items                              | 526                                   | 0   |
| <i>Total Current Assets</i>                | <u>749,466</u>                        | <u>72,408</u>   |
| Noncurrent Assets:                         |                                       |   |
| Nondepreciable Capital Assets              | 3,319,572                             | 0   |
| Depreciable Capital Assets, net            | 67,466                                | 0   |
| <i>Total Noncurrent Assets</i>             | <u>3,387,038</u>                      | <u>0</u>  |
| <i>Total Assets</i>                        | <u>4,136,504</u>                      | <u>72,408</u>   |
| <b>Deferred Outflows of Resources</b>      |                                       |   |
| Pension and OPEB                           | 125,394                               | 0   |
| <b>Liabilities</b>                         |                                       |   |
| Current Liabilities:                       |                                       |   |
| Accounts Payable                           | 20,035                                | 0   |
| Accrued Wages and Benefits Payable         | 59,132                                | 0   |
| Contracts Payable                          | 2,054                                 | 0   |
| Intergovernmental Payable                  | 14,524                                | 0   |
| Claims Payable                             | 0                                     | 476,504   |
| <i>Total Current Liabilities</i>           | <u>95,745</u>                         | <u>476,504</u>  |
| Long-Term Liabilities:                     |                                       |   |
| Sick Leave Benefits Payable                | 25,622                                | 0   |
| Net Pension Liability                      | 532,676                               | 0   |
| Net OPEB Liability                         | 181,928                               | 0   |
| <i>Total Long-Term Liabilities</i>         | <u>740,226</u>                        | <u>0</u>  |
| <i>Total Liabilities</i>                   | <u>835,971</u>                        | <u>476,504</u>  |
| <b>Deferred Inflows of Resources</b>       |                                       |   |
| Pension and OPEB                           | 108,448                               | 0   |
| <b>Net Position</b>                        |                                       |   |
| Invested in Capital Assets                 | 3,387,038                             | 0   |
| Unrestricted                               | (69,559)                              | (404,096)   |
| <i>Total Net Position</i>                  | <u>\$3,317,479</u>                    | <u>(\$404,096)</u>  |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2021*

|   | Business-Type<br>Activity             | Governmental<br>Activities                                  |
|---|---------------------------------------|---|
|   | Food<br>Service<br>Enterprise<br>Fund | Medical<br>and Dental<br>Insurance Internal<br>Service Fund |
| <b>Operating Revenues</b>                                     |                                       |   |
| Sales   | \$91,459                              | \$0   |
| Charges for Services  | 0                                     | 4,837,551   |
| Other Revenues  | 1,311                                 | 0   |
| <i>Total Operating Revenues</i>                               | <u>92,770</u>                         | <u>4,837,551</u>  |
| <b>Operating Expenses</b>                                     |                                       |   |
| Salaries  | 302,475                               | 0   |
| Fringe Benefits   | 162,773                               | 0   |
| Purchased Services  | 9,943                                 | 687,291   |
| Materials and Supplies  | 268,157                               | 0   |
| Cost of Sales   | 72,597                                | 0   |
| Depreciation  | 7,738                                 | 0   |
| Claims  | 0                                     | 4,364,936   |
| <i>Total Operating Expenses</i>                               | <u>823,683</u>                        | <u>5,052,227</u>  |
| <i>Operating Loss</i>   | <u>(730,913)</u>                      | <u>(214,676)</u>  |
| <b>Non-Operating Revenues (Expenses)</b>                      |                                       |   |
| Federal Donated Commodities                                   | 58,863                                | 0   |
| Interest Income   | 5,552                                 | 1,500   |
| Federal and State Subsidies                                   | 729,875                               | 0   |
| Loss on Sale of Capital Assets                                | (13,539)                              | 0   |
| <i>Total Non-Operating Revenues (Expenses)</i>                | <u>780,751</u>                        | <u>1,500</u>  |
| <i>Income/(Loss) Before Contributions</i>                     | 49,838                                | (213,176)   |
| Capital Contributions   | 2,450,664                             | 0   |
| <i>Net Change in Net Position</i>                             | 2,500,502                             | (213,176)   |
| <i>Net Position Beginning of Year (Restated - See Note 3)</i> | <u>816,977</u>                        | <u>(190,920)</u>  |
| <i>Net Position End of Year</i>                               | <u><u>\$3,317,479</u></u>             | <u><u>(\$404,096)</u></u>                                   |

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2021

|   | Business-Type<br>Activity             | Governmental<br>Activities                                  |
|---|---------------------------------------|---|
|   | Food<br>Service<br>Enterprise<br>Fund | Medical<br>and Dental<br>Insurance Internal<br>Service Fund |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                           |                                       |   |
| <b>Cash Flows from Operating Activities</b>                                       |                                       |   |
| Cash Received from Customers  | \$91,459                              | \$0   |
| Cash Received from Transactions with Other Funds                                  | 0                                     | 4,837,551   |
| Cash Payments to Suppliers for Goods and Services                                 | (255,299)                             | (687,291)   |
| Cash Payments for Employee Services   | (291,033)                             | 0   |
| Cash Payments for Employee Benefits   | (141,686)                             | 0   |
| Cash Received from Other Operating Revenues                                       | 1,311                                 | 0   |
| Cash Payments for Claims  | 0                                     | (4,322,004)   |
| <i>Net Cash Used for Operating Activities</i>                                     | <u>(595,248)</u>                      | <u>(171,744)</u>  |
| <b>Cash Flows from Capital and Related Financing Activities</b>                   |                                       |   |
| Proceeds from Sale of Capital Assets  | 4,564                                 | 0   |
| Payments for Capital Acquisitions   | (2,450,664)                           | 0   |
| Capital Contributions   | 2,450,664                             | 0   |
| Operating Grants Received   | 626,769                               | 0   |
| <i>Net Cash Provided by Capital and Related Financing Activities</i>              | <u>631,333</u>                        | <u>0</u>  |
| <b>Cash Flows from Investing Activities</b>                                       |                                       |   |
| Interest Income   | 5,552                                 | 1,500   |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i>                       | 41,637                                | (170,244)   |
| <i>Cash and Cash Equivalents Beginning of Year</i>                                | <u>575,825</u>                        | <u>242,652</u>  |
| <i>Cash and Cash Equivalents End of Year</i>                                      | <u><u>\$617,462</u></u>               | <u><u>\$72,408</u></u>                                      |
| <b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b> |                                       |   |
| Operating Loss  | <u>(\$730,913)</u>                    | <u>(\$214,676)</u>  |
| Adjustments:  |                                       |   |
| Depreciation  | 7,738                                 | 0   |
| Donated Commodities Received During Year  | 58,863                                | 0   |
| Changes in Assets and Liabilities:  |                                       |   |
| Decrease in Inventory Held for Resale   | 13,734                                | 0   |
| Decrease in Materials and Supplies Inventory                                      | 713                                   | 0   |
| Increase in Prepaid Items   | (526)                                 | 0   |
| Decrease in Deferred Outflows - Pension   | 47,468                                | 0   |
| Decrease in Deferred Outflows - OPEB  | 9,347                                 | 0   |
| Increase in Accounts Payable  | 20,035                                | 0   |
| Increase in Accrued Wages and Benefits Payable                                    | 1,484                                 | 0   |
| Increase in Contracts Payable   | 2,054                                 | 0   |
| Decrease in Intergovernmental Payable   | (1,385)                               | 0   |
| Increase in Compensated Absences Payable  | 12,166                                | 0   |
| Decrease in Deferred Inflows Pension  | (21,352)                              | 0   |
| Decrease in Deferred Inflows OPEB   | (27,073)                              | 0   |
| Decrease in Net Pension Liability   | (1,179)                               | 0   |
| Decrease in OPEB Asset  | 13,578                                | 0   |
| Increase in Claims Payable  | 0                                     | 42,932  |
| <i>Net Cash Used for Operating Activities</i>                                     | <u><u>(\$595,248)</u></u>             | <u><u>(171,744)</u></u>                                     |

Non-Cash Non-Capital Financing Transactions: During fiscal year 2021, the Food Service Enterprise Fund received \$58,863 in donated commodities.

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**Note 1 - Description of the School District and Reporting Entity**

Warren Local School District, Washington County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 140 certificated employees and 99 classified employees who provide services to 2,061 students. The School District currently operates six instructional/support facilities.

***Reporting Entity***

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Warren Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are Metropolitan Educational Technology Association (META), the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

***B. Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories: governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The School District reports the following major funds:

***General Fund*** The General Fund accounts for and reports all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Debt Service Fund*** The Debt Service Fund is used to account for and report financial resources that are restricted to expenditure for principal and interest.

***Building Fund*** The Building Fund is used to account for and report financial resources that are restricted to expenditures related to the District's capital bond improvements.

***Ohio Facilities Construction Commission Fund*** The Ohio Facilities Construction Commission Fund is used to account for and report financial resources that are restricted to expenditures related to the District's Ohio School Facilities construction project.

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Types*** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service.

***Enterprise Fund*** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's only enterprise fund accounts for the operation of the School District's food service program.

***Internal Service Fund*** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee dental and prescription drug claims.

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District has no fiduciary funds.

### ***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position.

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows or outflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, fees, and charges for services.

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for asset retirement obligations, pension, and OPEB. The deferred outflows of resources related to asset retirement obligations is originally measured at the amount of the corresponding liability. This amount is expensed in a systematic and rational manner over the tangible asset's useful life. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Career Center, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2021, but which were levied to finance fiscal year 2022 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Career Center, unavailable revenue includes delinquent property taxes, tuition and fees, and intergovernmental



**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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revenues. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2021, the School District was 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 School District measures their 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 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transaction to \$250 million per day, 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2021 amounted to \$34,568 which includes \$33,553 assigned from other School District funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption and donated and purchased commodities held for resale.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements. Capital assets utilized by the Food Service Enterprise Fund are reported both in the business-type activity column of the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u>         | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 20 – 80 years          |
| Furniture and Equipment    | 5 – 20 years           |
| Vehicles                   | 10 – 20 years          |

**I. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include amounts required by statute to be set-aside by the School District for unclaimed monies.

**J. Interfund Balances**

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund balance amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with seven years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefits payable" in the funds from which these payments will be made.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims, judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***M. Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***N. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term amount of leases and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, the assigned amounts represent intended uses established by the School District Board of Education.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

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***O. Net position***

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, 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.

***Q. 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.

***R. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***S. Budgetary Process***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. 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 set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed by the Board.

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2021*

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from the prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**T. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for food service programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

**Note 3 - Changes in Accounting Principle and Restatement of Prior Year Balances**

For fiscal year 2021, the School District implemented the Governmental Accounting Standards Board's (GASB) Statement No. 98, *The Annual Comprehensive Financial Report*. GASB 98 establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The School District is also implementing *Implementation Guide No. 2019-1*. These changes were incorporated in the School District's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

The School District understated its Asset Retirement Obligation (ARO) in the prior fiscal year. The Governmental Accounting Standard Board's (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Construction in progress was also restated. The restatements had the following effect on net position as of June 30, 2020:

|   | Governmental<br>Activities | Business-Type<br>Activity |
|---|----------------------------|---------------------------|
| Net Position June 30, 2020                      | \$30,894,849               | (\$51,931)                |
| Adjustments:                                    |                            |                           |
| Asset Retirement Obligation - Liability         | (20,000)                   | 0                         |
| Asset Retirement Obligation - Deferred Outflows | 2,658                      | 0                         |
| Construction in Progress                        | (868,908)                  | 868,908                   |
| Restated Net Position June 30, 2020             | \$30,008,599               | \$816,977                 |

**Note 4 - Fund Balances**

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

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2021

| Fund Balances                             | General            | Debt<br>Service<br>Fund | Building<br>Project<br>Fund | OFCC<br>Fund       | Other<br>Governmental<br>Funds | Total               |
|---|--------------------|-------------------------|-----------------------------|--------------------|--------------------------------|---------------------|
| <b><u>Nonspendable:</u></b>               |                    |                         |                             |                    |                                |                     |
| Inventories                               | \$302,396          | \$0                     | \$0                         | \$0                | \$0                            | \$302,396           |
| Prepaid Items                             | 25,852             | 0                       | 0                           | 0                  | 0                              | 25,852              |
| Unclaimed Monies                          | 15,697             | 0                       | 0                           | 0                  | 0                              | 15,697              |
| <b>Total Nonspendable</b>                 | <b>343,945</b>     | <b>0</b>                | <b>0</b>                    | <b>0</b>           | <b>0</b>                       | <b>343,945</b>      |
| <b><u>Restricted for:</u></b>             |                    |                         |                             |                    |                                |                     |
| Community Involvement                     | 0                  | 0                       | 0                           | 0                  | 16,020                         | 16,020              |
| Capital Projects                          | 0                  | 0                       | 2,821,478                   | 7,109,402          | 0                              | 9,930,880           |
| Classroom Facilities                      | 0                  | 0                       | 0                           | 0                  | 585,855                        | 585,855             |
| Students                                  | 0                  | 0                       | 0                           | 0                  | 110,281                        | 110,281             |
| Athletic and Music                        | 0                  | 0                       | 0                           | 0                  | 28,524                         | 28,524              |
| Student Wellness                          | 0                  | 0                       | 0                           | 0                  | 318,532                        | 318,532             |
| State Grants                              | 0                  | 0                       | 0                           | 0                  | 3,569                          | 3,569               |
| Federal Grants                            | 0                  | 0                       | 0                           | 0                  | 1,686                          | 1,686               |
| Debt Service                              | 0                  | 1,316,896               | 0                           | 0                  | 0                              | 1,316,896           |
| <b>Total Restricted</b>                   | <b>0</b>           | <b>1,316,896</b>        | <b>2,821,478</b>            | <b>7,109,402</b>   | <b>1,064,467</b>               | <b>12,312,243</b>   |
| <b><u>Committed to:</u></b>               |                    |                         |                             |                    |                                |                     |
| Capital Purchases                         | 82,263             | 0                       | 0                           | 0                  | 12,307                         | 94,570              |
| Termination Benefits                      | 125,923            | 0                       | 0                           | 0                  | 0                              | 125,923             |
| Underground Storage Tank                  | 11,000             | 0                       | 0                           | 0                  | 0                              | 11,000              |
| <b>Total Committed</b>                    | <b>219,186</b>     | <b>0</b>                | <b>0</b>                    | <b>0</b>           | <b>12,307</b>                  | <b>231,493</b>      |
| <b><u>Assigned to:</u></b>                |                    |                         |                             |                    |                                |                     |
| Capital Projects                          | 0                  | 0                       | 0                           | 0                  | 1,405,399                      | 1,405,399           |
| Purchases on Order                        | 32,664             | 0                       | 0                           | 0                  | 0                              | 32,664              |
| Public School Support<br>Fiscal Year 2022 | 9,876              | 0                       | 0                           | 0                  | 0                              | 9,876               |
| Appropriations                            | 490,064            | 0                       | 0                           | 0                  | 0                              | 490,064             |
| <b>Total Assigned</b>                     | <b>532,604</b>     | <b>0</b>                | <b>0</b>                    | <b>0</b>           | <b>1,405,399</b>               | <b>1,938,003</b>    |
| Unassigned:                               | 6,316,331          | 0                       | 0                           | 0                  | (72,320)                       | 6,244,011           |
| <b>Total Fund Balances</b>                | <b>\$7,412,066</b> | <b>\$1,316,896</b>      | <b>\$2,821,478</b>          | <b>\$7,109,402</b> | <b>\$2,409,853</b>             | <b>\$21,069,695</b> |

**Note 5 - Fund Deficits**

At June 30, 2021, the following funds had deficit fund balances:

|                      | <u>Deficit</u> |
|----------------------|----------------|
| ESSER                | \$1,203        |
| Idea -B              | 40,261         |
| Title I              | 26,269         |
| Title II - A         | 4,585          |
| Misc. Federal Grants | 2              |

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the General Fund needed for operations until the receipt of grant monies. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.
5. Budgetary revenues and expenditures of the Public School Support Fund are reclassified to the General Fund for GAAP reporting

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance

|  | General   |
|--|-----------|
| GAAP Basis   | \$372,327 |
| Net Adjustment for Revenue Accruals  | 370,757   |
| Net Adjustment for Expenditure Accruals  | 94,379    |
| Prepaid Items:   |           |
| End of Fiscal Year   | (25,852)  |
| Advances to Other Funds for Cash Deficits  | (257,418) |
| To reclassify excess of expenditures<br>over revenues into financial statement<br>fund types | (74,582)  |
| Encumbrances   | (249,410) |
| Budget Basis   | \$230,201 |

**Note 7 - Deposits and Investments**

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

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



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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two 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 bonds and other obligations of political subdivisions of the State of Ohio;
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 (STAROhio); and
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. The investment in commercial paper notes of a single issuer shall

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not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the School District had \$2,595 in undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents”.

**Investments** As of June 30, 2021, the School District had the following investments as part of the internal investment pool:

|  | Fair<br>Value       | Maturity         | S&P<br>Rating | Percent of<br>Total Investments |
|--|---------------------|------------------|---------------|---------------------------------|
| STAROhio                                 | \$62                | 6 months or less | AAAm          | 0.0%                            |
| Certificates of Deposits - various banks | 2,513,823           | various          |               | 21.0%                           |
| Commercial Paper - various banks         | 8,057,927           | various          | A-1 / A-1+    | 67.2%                           |
| US Treasury Notes                        | 1,418,966           | various          | AA+/A-1+      | 11.8%                           |
|  | <u>\$11,990,778</u> |                  |               | <u>100%</u>                     |

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District’s recurring fair value measurements as of June 30, 2020. The District’s investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

**Interest Rate Risk** Interest rate risk is the risk, that changes in interest rates will adversely affect the fair value of an investment. 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. Commercial paper must mature within 270 days.

**Credit Risk** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to those authorized by state statute in its investment policy.

**Custodial Credit Risk** For investments, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities in the possession of an outside party. District policy provides that investments be held in the name of the District. All of the District’s investments are held in the name of the District.

**Warren Local School District, Ohio**  
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**Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Real property taxes received in calendar year 2021 were levied after April 1, 2020, on the assessed value listed as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2021 represents collections of calendar year 2020 taxes. Public utility real property taxes received in calendar year 2021 became a lien December 31, 2018, were levied after April 1, 2019, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Washington and Athens Counties. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2021, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2021, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion 8 4th the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2021, was \$226,413 in the General Fund; \$3,957 in the Classroom Facilities Fund; and \$36,119 in the Bond Retirement Fund. The amount available as an advance at June 30, 2020, was \$171,848 in the General Fund; \$3,172 in the Classroom Facilities Fund; and \$28,859 in the Bond Retirement Fund.

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

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|   | 2020 Second-<br>Half Collections |         | 2021 First-<br>Half Collections |         |
|---|----------------------------------|---------|---------------------------------|---------|
|   | Amount                           | Percent | Amount                          | Percent |
| Agricultural/Residential<br>And Other Real Estate | \$306,941,870                    | 89%     | \$307,553,670                   | 89%     |
| Public Utility Personal                           | 37,238,270                       | 11%     | 38,838,030                      | 11%     |
| Total   | \$344,180,140                    | 100%    | \$346,391,700                   | 100%    |
| <br>Tax Rate per \$1,000 of<br>assessed valuation | <br>\$38.39                      |         | <br>\$38.39                     |         |

**Note 9 – Interfund Activity**

***A. Transfers***

The General Fund made transfers to the Athletic Special Revenue Fund for \$35,000 to use unrestricted revenues collected in the General Fund to finance student programs in accordance with budgetary authorizations. The General Fund also transferred \$700,000 to the Capital Reserve Capital Projects Fund.

***B. Interfund Balances***

Unpaid interfund advances due to cash deficits at June 30, 2021, were as follows:

|                                   | Receivables | Payables  |
|-----------------------------------|-------------|-----------|
| General Fund                      | \$257,418   | \$0       |
| Nonmajor Special Revenue Funds:   |             |           |
| Miscellaneous State Grants Fund   | 0           | 9,399     |
| ESSERS Grant Fund                 | 0           | 1,997     |
| Corona Virus Relief Fund          | 0           | 3,232     |
| Title VI-B                        | 0           | 58,696    |
| Title I                           | 0           | 173,575   |
| Title II-A                        | 0           | 3,923     |
| Miscellaneous Federal Grants Fund | 0           | 6,596     |
| Total All Funds                   | \$257,418   | \$257,418 |

**Note 10 - Receivables**

Receivables at June 30, 2021, consisted of property taxes, accounts (rent, student fees, and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$917,892 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

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|   | Amounts     |
|---|-------------|
| <b>Governmental Activities</b>          |             |
| Ohio Facilities Construction Commission | \$6,950,670 |
| High Schools that Work                  | 6,677       |
| Agricultural Education                  | 3,109       |
| Equality for Each                       | 19,091      |
| ESSER                                   | 5,990       |
| IDEA Part B                             | 110,588     |
| Title I                                 | 218,461     |
| Title II-A                              | 34,630      |
| School Quality                          | 201,181     |
| Title IV-A                              | 30,594      |
| Building Bridges                        | 20,000      |
| Medicaid                                | 3,651       |
| Miscellaneous                           | 15,797      |
| Total Governmental Activities           | 7,620,439   |
| <b>Business-Type Activities</b>         |             |
| National School Lunch and Breakfast     | 103,106     |
| Total                                   | \$7,723,545 |

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the School District contracted with The Ohio School Plan for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$65,053,148 on buildings and contents. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Ohio School Plan with a \$3,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by The Ohio School Plan with a \$250 deductible for comprehensive and a \$1,000 deductible for collision for buses. Automobile liability has a \$3,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

***B. Workers' Compensation***

For fiscal year 2021, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 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 firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

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**C. Employee Medical, Dental and Prescription Benefits**

Medical insurance is offered to employees through a self-insurance internal service fund. UMR, Inc., the third party administrator for medical reviews and processes the claims. Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc, the third party administrator for dental, and Express Scripts, the third party administrator for prescriptions, reviews and processes the claims which the School District then pays. The self-insurance internal service funds allocate the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service funds. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$476,504 at June 30, 2021, is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be disclosed. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

|      | Balance at<br>Beginning<br>of Year | Current<br>Year<br>Claims | Claim<br>Payments | Balance at<br>End of Year |
|------|------------------------------------|---------------------------|-------------------|---------------------------|
| 2020 | \$453,334                          | \$4,128,872               | \$4,148,634       | \$433,572                 |
| 2021 | 433,572                            | 4,364,936                 | 4,322,004         | 476,504                   |

**Note 12 - Employee Benefits**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation days must be used by most employees in the fiscal year following the fiscal year in which the benefit was earned. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for classified employees and 245 for certified. Upon retirement, severance payments will be calculated upon twenty-five percent of the number of days of sick leave with a maximum of 215 days. Employees with 25 years or more of service with the School District will be eligible to receive fifty percent of unused sick leave as severance. Certified employees may also receive an additional severance pay with fifteen or more years in the Warren School District. Eligible certified employees will receive one additional severance day for every four days of unused sick leave remaining after the number of severance days received under the normal severance is subtracted from the total number of accumulated sick leave days. This additional severance amounts to severance payments being calculated upon 43.75% of the number of days of sick leave with a maximum of 215 days. Classified employees may also receive an additional severance pay with fifteen or more years in the Warren School District. Eligible classified employees will receive fifty percent of unused sick leave. Classified employees with 25 year or more of service with the School District will receive seventy-five percent of unused sick leave.

**B. Insurance**

The School District provides health major medical insurance for all eligible employees by contracting with United Health Care. The School District pays 80 percent of the monthly premiums.

The School District provides life insurance and accidental death dismemberment to most employees through

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One America, in the amount of \$30,000 for classified and certified employees, \$50,000 for administrators, and \$250,000 for the superintendent and treasurer.

**Note 13 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

|   | Restated<br>Balance<br>6/30/20 | Additions           | Reductions           | Balance<br>6/30/21  |
|---|--------------------------------|---------------------|----------------------|---------------------|
| <b>Governmental Activities:</b>             |                                |                     |                      |                     |
| Capital assets not being depreciated        |                                |                     |                      |                     |
| Land  | \$330,057                      | \$0                 | (\$47,835)           | \$282,222           |
| Construction in progress                    | 20,892,237                     | 34,151,730          | 0                    | 55,043,967          |
| Total capital assets not being depreciated  | <u>21,222,294</u>              | <u>34,151,730</u>   | <u>(47,835)</u>      | <u>55,326,189</u>   |
| Capital assets being depreciated            |                                |                     |                      |                     |
| Buildings and Improvements                  | 17,886,172                     | 0                   | (3,479,215)          | 14,406,957          |
| Furniture and Equipment                     | 3,213,914                      | 46,761              | (1,037,244)          | 2,223,431           |
| Vehicles                                    | 2,917,761                      | 101,037             | (556,906)            | 2,461,892           |
| Total capital assets being depreciated      | <u>24,017,847</u>              | <u>147,798</u>      | <u>(5,073,365)</u>   | <u>19,092,280</u>   |
| Accumulated depreciation                    |                                |                     |                      |                     |
| Buildings and Improvements                  | (7,451,024)                    | (298,129)           | 2,579,843            | (5,169,310)         |
| Furniture and Equipment                     | (2,482,551)                    | (63,135)            | 975,362              | (1,570,324)         |
| Vehicles                                    | (1,942,957)                    | (112,699)           | 556,906              | (1,498,750)         |
| Total accumulated depreciation              | <u>(11,876,532)</u>            | <u>(473,963) *</u>  | <u>4,112,111</u>     | <u>(8,238,384)</u>  |
| Capital assets being depreciated, net       | <u>12,141,315</u>              | <u>(326,165)</u>    | <u>(961,254)</u>     | <u>10,853,896</u>   |
| Governmental Activities capital assets, net | <u>\$33,363,609</u>            | <u>\$33,825,565</u> | <u>(\$1,009,089)</u> | <u>\$66,180,085</u> |
| <b>Business-Type Activity:</b>              |                                |                     |                      |                     |
| Capital assets not being depreciated        |                                |                     |                      |                     |
| Construction in progress                    | \$868,908                      | \$2,450,664         | \$0                  | \$3,319,572         |
| Capital assets being depreciated            |                                |                     |                      |                     |
| Furniture and Fixtures                      | 312,975                        | 0                   | (105,587)            | 207,388             |
| Less Accumulated Depreciation               | (219,668)                      | (7,738)             | 87,484               | (139,922)           |
| Capital assets being depreciated, net       | <u>93,307</u>                  | <u>(7,738)</u>      | <u>(18,103)</u>      | <u>67,466</u>       |
| Business-Type Activity capital assets, net  | <u>\$962,215</u>               | <u>\$2,442,926</u>  | <u>(\$18,103)</u>    | <u>\$3,387,038</u>  |

\* Depreciation expense was charged to governmental functions as follows:

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|                                    |                         |
|------------------------------------|-------------------------|
| Instruction:                       |                         |
| Regular                            | \$130,740               |
| Special Instruction                | 48,251                  |
| Vocational                         | 11,042                  |
| Support Services:                  |                         |
| Pupils                             | 10,200                  |
| Instructional Staff                | 7,513                   |
| Administration                     | 20,202                  |
| Fiscal                             | 4,470                   |
| Operation and Maintenance of Plant | 47,205                  |
| Pupil Transportation               | 149,217                 |
| Extracurricular Activities         | 45,123                  |
| Total Depreciation Expense         | <u><u>\$473,963</u></u> |

**Note 14 - Defined Benefit Pension Plans**

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

***Net Pension Liability/Net OPEB Liability***

The net pension liability and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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



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enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 15 for the required OPEB disclosures.

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

|                              | Eligible to<br>Retire on or before<br>August 1, 2017 *                          | Eligible to<br>Retire on or after<br>August 1, 2017                                  |
|------------------------------|---|--|
| Full Benefits                | Any age with 30 years of service credit   | Age 67 with 10 years of service credit; or<br>Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit<br>Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or<br>Age 60 with 25 years of service credit |

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. In 2020, the Board of Trustees approved a 0.5 percent cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement

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Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2021, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2021, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$489,694 for fiscal year 2021. Of this amount, \$45,644 is reported as an intergovernmental payable.

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

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent 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 percent 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, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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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 2021 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2021, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$1,356,306 for fiscal year 2021. Of this amount, \$198,788 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

|  | SERS         | STRS         |              |
|--|--------------|--------------|--------------|
| Proportion of the Net Pension Liability: |              |              |              |
| Prior Measurement Date                   | 0.10253330%  | 0.07853249%  |              |
| Current Measurement Date                 | 0.10066880%  | 0.07825029%  |              |
| Change in Proportionate Share            | -0.00186450% | -0.00028220% |              |
| Proportionate Share of the Net           |              |              | Total        |
| Pension Liability                        | \$6,658,447  | \$18,933,785 | \$25,592,232 |
| Pension Expense                          | \$801,410    | \$2,479,930  | \$3,281,340  |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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|  | <u>SERS</u>      | <u>STRS</u>        | <u>Total</u>       |
|--|------------------|--------------------|--------------------|
| <b>Deferred Outflows of Resources</b>  |                  |                    |                    |
| Differences between expected and actual experience   | \$12,934         | \$42,483           | \$55,417           |
| Changes of assumptions   | 0                | 1,016,378          | 1,016,378          |
| Net difference between projected and actual earnings on pension plan investments   | 422,676          | 920,752            | 1,343,428          |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 40,760           | 32,661             | 73,421             |
| School District contributions subsequent to the measurement date   | <u>489,694</u>   | <u>1,356,306</u>   | <u>1,846,000</u>   |
| Total Deferred Outflows of Resources   | <u>\$966,064</u> | <u>\$3,368,580</u> | <u>\$4,334,644</u> |
| <b>Deferred Inflows of Resources</b>   |                  |                    |                    |
| Differences between expected and actual experience   | \$0              | \$121,069          | \$121,069          |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | <u>75,758</u>    | <u>282,668</u>     | <u>358,426</u>     |
| Total Deferred Inflows of Resources  | <u>\$75,758</u>  | <u>\$403,737</u>   | <u>\$479,495</u>   |

\$1,846,000 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

|                             | <u>SERS</u>      | <u>STRS</u>        | <u>Total</u>       |
|-----------------------------|------------------|--------------------|--------------------|
| Fiscal Year Ending June 30: |                  |                    |                    |
| 2022                        | (\$7,339)        | \$554,576          | \$547,237          |
| 2023                        | 99,436           | 197,181            | 296,617            |
| 2024                        | 176,181          | 456,188            | 632,369            |
| 2025                        | <u>132,334</u>   | <u>400,592</u>     | <u>532,926</u>     |
| Total                       | <u>\$400,612</u> | <u>\$1,608,537</u> | <u>\$2,009,149</u> |

***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.

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

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

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

|   |  |
|---|--|
| Inflation   | 3.00 percent   |
| Future Salary Increases, including inflation<br>COLA or Ad Hoc COLA | 3.50 percent to 18.20 percent<br>2.5 percent                   |
| Investment Rate of Return   | 7.50 percent net of investment<br>expense, including inflation |
| Actuarial Cost Method   | Entry Age Normal<br>(Level Percent of Payroll)                 |

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

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

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash                   | 2.00%                    | 1.85%   |
| US Stocks              | 22.50                    | 5.74  |
| Non-US Stocks          | 22.50                    | 6.50  |
| Fixed Income           | 19.00                    | 2.85  |
| Private Equity         | 12.00                    | 7.60  |
| Real Assets            | 17.00                    | 6.60  |
| Multi-Asset Strategies | 5.00                     | 6.65  |
| Total                  | <u>100.00%</u>           |   |

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

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

|  | 1% Decrease<br>(6.50%) | Current<br>Discount Rate<br>(7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$9,121,259            | \$6,658,447                         | \$4,592,100            |

**Actuarial Assumptions - STRS**

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

|                                   |   |
|-----------------------------------|---|
| Inflation                         | 2.50 percent  |
| Projected salary increases        | 12.50 percent at age 20 to<br>2.50 percent at age 65          |
| Investment Rate of Return         | 7.45 percent, net of investment expenses, including inflation |
| Discount Rate of Return           | 7.45 percent  |
| Payroll Increases                 | 3 percent   |
| Cost-of-Living Adjustments (COLA) | 0.0 percent, effective July 1, 2017                           |

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

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projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2020.

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

|  | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$26,958,415           | \$18,933,785                        | \$12,133,581           |

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**Note 15 - Postemployment Benefits**

See Note 14 for a description of the net OPEB liability.

***Plan Description - School Employees Retirement System (SERS)***

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2021, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2021, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2021, the School District's surcharge obligation was \$66,184.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$66,184 for fiscal year 2021. All of this amount is reported as an intergovernmental payable.

***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 Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.



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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2021, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

|                                       | SERS         | STRS          |               |
|---------------------------------------|--------------|---------------|---------------|
| Proportion of the Net OPEB Liability: |              |               |               |
| Prior Measurement Date                | 0.10509620%  | 0.07853249%   |               |
| Current Measurement Date              | 0.10463680%  | 0.07825029%   |               |
| Change in Proportionate Share         | -0.00045940% | -0.00028220%  |               |
| Proportionate Share of the:           |              |               | Total         |
| Net OPEB Liability                    | \$2,274,101  | \$0           | \$2,274,101   |
| Net OPEB (Asset)                      | \$0          | (\$1,375,247) | (\$1,375,247) |
| OPEB Expense                          | \$14,323     | (\$87,038)    | (\$72,715)    |

At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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|  | <u>SERS</u>        | <u>STRS</u>        | <u>Total</u>       |
|--|--------------------|--------------------|--------------------|
| <b>Deferred Outflows of Resources</b>  |                    |                    |                    |
| Differences between expected and actual experience   | \$29,868           | \$88,119           | \$117,987          |
| Changes of assumptions   | 387,655            | 22,702             | 410,357            |
| Net difference between projected and actual earnings on OPEB plan investments  | 25,624             | 48,197             | 73,821             |
| Changes in proportionate Share and difference between School District contributions and proportionate share of contributions | 92,036             | 1,421              | 93,457             |
| School District contributions subsequent to the measurement date   | <u>66,184</u>      | <u>0</u>           | <u>66,184</u>      |
| Total Deferred Outflows of Resources   | <u>\$601,367</u>   | <u>\$160,439</u>   | <u>\$761,806</u>   |
| <b>Deferred Inflows of Resources</b>   |                    |                    |                    |
| Differences between expected and actual experience   | \$1,156,539        | \$273,929          | \$1,430,468        |
| Changes of assumptions   | 57,280             | 1,306,254          | 1,363,534          |
| Net difference between projected and actual earnings on OPEB plan investments  | 0                  | 0                  | 0                  |
| Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions | <u>66,032</u>      | <u>24,748</u>      | <u>90,780</u>      |
| Total Deferred Inflows of Resources  | <u>\$1,279,851</u> | <u>\$1,604,931</u> | <u>\$2,884,782</u> |

\$66,184 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                             | <u>SERS</u>        | <u>STRS</u>          | <u>Total</u>         |
|-----------------------------|--------------------|----------------------|----------------------|
| Fiscal Year Ending June 30: |                    |                      |                      |
| 2022                        | (\$151,158)        | (\$360,398)          | (\$511,556)          |
| 2023                        | (149,304)          | (327,774)            | (477,078)            |
| 2024                        | (149,606)          | (316,327)            | (465,933)            |
| 2025                        | (140,097)          | (309,730)            | (449,827)            |
| 2026                        | (110,982)          | (63,744)             | (174,726)            |
| Thereafter                  | <u>(43,521)</u>    | <u>(66,519)</u>      | <u>(110,040)</u>     |
| Total                       | <u>(\$744,668)</u> | <u>(\$1,444,492)</u> | <u>(\$2,189,160)</u> |

***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

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effects of legal or contractual funding limitations.

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

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

|   |  |
|---|--|
| Inflation   | 3.00 percent   |
| Wage Increases  | 3.50 percent to 18.20 percent                                  |
| Investment Rate of Return   | 7.50 percent net of investment<br>expense, including inflation |
| Municipal Bond Index Rate:  |  |
| Measurement Date  | 2.45 percent   |
| Prior Measurement Date  | 3.13 percent   |
| Single Equivalent Interest Rate, net of plan investment expense,<br>including price inflation |  |
| Measurement Date  | 2.63 percent   |
| Prior Measurement Date  | 3.22 percent   |
| Medical Trend Assumption  |  |
| Medicare  | 5.25 to 4.75 percent   |
| Pre-Medicare  | 7.00 to 4.75 percent   |

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

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

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

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

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**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.63 percent. The discount rate used to measure total OPEB liability at June 30, 2019, was 3.22 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024, and the Fidelity General Obligation 20-year Municipal Bond Index rate of 2.45 percent, as of June 30, 2020 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) and higher (3.63%) than the current discount rate (2.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

|  | 1% Decrease<br>█ (1.63%) | Current<br>Discount Rate<br>█ (2.63%) | 1% Increase<br>█ (3.63%) |
|--|--------------------------|---------------------------------------|--------------------------|
| School District's proportionate share<br>of the net OPEB liability | \$2,783,442              | \$2,274,101                           | \$1,869,174              |
|  |                          |                                       |                          |
|  | 1% Decrease              | Current<br>Trend Rate                 | 1% Increase              |
| School District's proportionate share<br>of the net OPEB liability | \$1,790,681              | \$2,274,101                           | \$2,920,555              |

**Actuarial Assumptions – STRS**

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

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|                            |  |
|----------------------------|--|
| Projected salary increases | 12.50 percent at age 20 to<br>2.50 percent at age 65             |
| Investment Rate of Return  | 7.45 percent, net of investment<br>expenses, including inflation |
| Payroll Increases          | 3 percent  |
| Discount Rate of Return    | 7.45 percent   |
| Health Care Cost Trends    |  |
| Medical                    |  |
| Pre-Medicare               | 5.00 percent initial, 4 percent ultimate                         |
| Medicare                   | -6.69 percent initial, 4 percent ultimate                        |
| Prescription Drug          |  |
| Pre-Medicare               | 6.50 percent initial, 4 percent ultimate                         |
| Medicare                   | 11.87 initial, 4 percent ultimate                                |

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

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

Actuarial assumptions used in the June 30, 2020, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 14.

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

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2020, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as

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if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

|   | 1% Decrease<br>(6.45%) | Current<br>Discount Rate<br>(7.45%) | 1% Increase<br>(8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB asset | (\$1,196,555)          | (\$1,375,247)                       | (\$1,526,862)          |

  

|   | 1% Decrease   | Current<br>Trend Rate | 1% Increase   |
|---|---------------|-----------------------|---------------|
| School District's proportionate share of the net OPEB asset | (\$1,517,451) | (\$1,375,247)         | (\$1,202,023) |

**Note 16 - Long-Term Obligations**

The changes in the School District's long-term obligations during the fiscal year consist of the following:

|                                       | Restated<br>Principal<br>Outstanding<br>6/30/20 | Additions          | Reductions         | Principal<br>Outstanding<br>6/30/2021 | Amounts<br>Due in<br>One Year |
|---------------------------------------|---|--------------------|--------------------|---------------------------------------|-------------------------------|
| <b>Governmental Activities:</b>       |   |                    |                    |                                       |                               |
| 2017 School Facilities                |   |                    |                    |                                       |                               |
| Construction and Improvement Bonds:   |   |                    |                    |                                       |                               |
| Serial Bonds - 2-4%                   | \$3,265,000                                     | \$0                | \$425,000          | \$2,840,000                           | \$425,000                     |
| Term Bonds - 4-5%                     | 18,175,000                                      | 0                  | 0                  | 18,175,000                            | 0                             |
| Premium                               | 1,775,351                                       | 0                  | 65,495             | 1,709,856                             | 0                             |
| <b>Total Bonds</b>                    | <b>23,215,351</b>                               | <b>0</b>           | <b>490,495</b>     | <b>22,724,856</b>                     | <b>425,000</b>                |
| Capital Leases                        | 3,290,000                                       | 7,107,000          | 3,290,000          | 7,107,000                             | 608,000                       |
| Net Pension Liability:                |   |                    |                    |                                       |                               |
| STRS                                  | 17,366,988                                      | 1,566,797          | 0                  | 18,933,785                            | 0                             |
| SERS                                  | 5,643,967                                       | 481,804            | 0                  | 6,125,771                             | 0                             |
| <b>Total Net Pension Liability</b>    | <b>23,010,955</b>                               | <b>2,048,601</b>   | <b>0</b>           | <b>25,059,556</b>                     | <b>0</b>                      |
| Net OPEB Liability - SERS             | 2,431,512                                       | 0                  | 339,339            | 2,092,173                             | 0                             |
| Asset Retirement Obligation           | 20,000  | 0                  | 0                  | 20,000                                | 0                             |
| Sick Leave Benefits                   | 2,104,124                                       | 13,998             | 124,058            | 1,994,064                             | 36,028                        |
| <b>Total Governmental Activities</b>  | <b>\$54,071,942</b>                             | <b>\$9,169,599</b> | <b>\$4,243,892</b> | <b>\$58,997,649</b>                   | <b>\$1,069,028</b>            |
| <b>Business-Type Activity:</b>        |   |                    |                    |                                       |                               |
| Net Pension Liability:                |   |                    |                    |                                       |                               |
| SERS                                  | \$490,780                                       | \$41,896           | \$0                | \$532,676                             | \$0                           |
| Net OPEB Liability:                   |   |                    |                    |                                       |                               |
| SERS                                  | 211,436   |                    | 29,508             | 181,928                               | 0                             |
| Sick Leave Benefits                   | 13,456  | 12,166             | 0                  | 25,622                                | 0                             |
| <b>Total Business-Type Activities</b> | <b>\$715,672</b>                                | <b>\$54,062</b>    | <b>\$29,508</b>    | <b>\$740,226</b>                      | <b>\$0</b>                    |

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Compensated absences will be paid from the General Fund and Food Service Enterprise Fund. There are no repayment schedules for the net pension and OPEB liabilities. However, employer pension contributions are made from the following funds: General Fund and the Food Service and Federal Grants Special Revenue Funds. For additional information related to the net pension and OPEB liabilities, see Notes 14 and 15. The capital lease will be paid from the General Fund and Permanent Improvement Fund.

On August 8, 2017, the School District issued School Facilities Construction and Improvement Bonds consisting of \$4,825,000 in serial bonds and \$18,175,000 in term bonds. The bonds will mature on December 1, 2047. These bonds were issued to finance the construction of a new high school, a new elementary school, renovate the middle school, and general site improvements.

The Term Bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| Year | Principal Amount<br>to be Redeemed |
|------|------------------------------------|
| 2028 | \$480,000                          |
| 2029 | 540,000                            |

The remaining principal amount of such Term Bonds (\$570,000) will be paid at stated maturity on December 1, 2030.

The Term Bonds maturing on December 1, 2033, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| Year | Principal Amount<br>to be Redeemed |
|------|------------------------------------|
| 2031 | \$600,000                          |
| 2032 | 670,000                            |

The remaining principal amount of such Term Bonds (\$700,000) will be paid at stated maturity on December 1, 2033.

The Term Bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| Year | Principal Amount<br>to be Redeemed |
|------|------------------------------------|
| 2034 | \$735,000                          |
| 2035 | 815,000                            |

The remaining principal amount of such Term Bonds (\$855,000) will be paid at stated maturity on December 1, 2036.

The Term Bonds maturing on December 1, 2039, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of

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redemption, on December 1 of the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|-------------|--|
| 2037        | \$895,000                                  |
| 2038        | 930,000                                    |

The remaining principal amount of such Term Bonds (\$970,000) will be paid at stated maturity on December 1, 2039.

The Term Bonds maturing on December 1, 2042, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|-------------|--|
| 2040        | \$1,010,000                                |
| 2041        | 1,050,000                                  |

The remaining principal amount of such Term Bonds (\$1,090,000) will be paid at stated maturity on December 1, 2042.

The Term Bonds maturing on December 1, 2047, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

| <u>Year</u> | <u>Principal Amount<br/>to be Redeemed</u> |
|-------------|--|
| 2043        | \$1,135,000                                |
| 2044        | 1,190,000                                  |
| 2045        | 1,250,000                                  |
| 2046        | 1,310,000                                  |

The remaining principal amount of such Term Bonds (\$1,380,000) will be paid at stated maturity on December 1, 2047.

The Bonds maturing after December 1, 2025, are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2025 at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Principal and interest requirements to retire the 2017 bonds outstanding at June 30, 2021, are as follows:



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| Fiscal Year<br>Ending | Serial             |                    | Term                |                    |
|-----------------------|--------------------|--------------------|---------------------|--------------------|
|                       | Principal          | Interest           | Principal           | Interest           |
| 2022                  | \$425,000          | \$884,625          | \$0                 | \$0                |
| 2023                  | 450,000            | 871,500            | 0                   | 0                  |
| 2024                  | 350,000            | 859,500            | 0                   | 0                  |
| 2025                  | 355,000            | 847,150            | 0                   | 0                  |
| 2026                  | 375,000            | 832,550            | 0                   | 0                  |
| 2027-2031             | 885,000            | 1,615,200          | 1,020,000           | 1,539,700          |
| 2032-2036             | 0                  | 0                  | 3,275,000           | 3,433,950          |
| 2037-2041             | 0                  | 0                  | 4,465,000           | 2,658,150          |
| 2042-2046             | 0                  | 0                  | 5,475,000           | 1,643,575          |
| 2047-2051             | 0                  | 0                  | 3,940,000           | 302,000            |
| <b>Total</b>          | <b>\$2,840,000</b> | <b>\$5,910,525</b> | <b>\$18,175,000</b> | <b>\$9,577,375</b> |

The overall debt margin of the School District as of June 30, 2021, was \$9,700,455, with an unvoted debt margin of \$345,649.

**NOTE 17 - Capital Lease – Lessee Disclosure**

In the current and prior fiscal years, the School District entered into lease agreement totaling \$7,107,000 for building improvements. The lease meets the criteria of a capital lease which is defined as transferring benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the basic financial statements. During the fiscal year, the School District amended its previous lease and extended the scope of the project.

Future minimum lease payments through 2036 are as follows:

| Fiscal Year | Governmental Activities |                  | Total              |
|-------------|-------------------------|------------------|--------------------|
|             | Principal               | Interest         |                    |
| 2022        | \$608,000               | \$139,294        | \$747,294          |
| 2023        | 553,000                 | 126,413          | 679,413            |
| 2024        | 561,000                 | 115,619          | 676,619            |
| 2025        | 574,000                 | 104,617          | 678,617            |
| 2026        | 582,000                 | 93,405           | 675,405            |
| 2027-2031   | 2,733,000               | 276,996          | 3,009,996          |
| 2032-2036   | 1,496,000               | 102,966          | 1,598,966          |
|             | <b>\$7,107,000</b>      | <b>\$959,310</b> | <b>\$8,066,310</b> |

**Note 18 - Jointly Governed Organizations**

**A. META Solutions**

The School District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). META is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data

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acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2021, the School District paid \$50,196 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

***B. Washington County Career Center***

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joe Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2021. Financial information can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 19 - Insurance Purchasing Pools**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the Plan.

***B. Ohio School Plan***

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its

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members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the President of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**Note 20 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 School District at June 30, 2021.

***B. Litigation***

The School District is currently party to legal proceedings, but does not feel that the result of the proceedings will have a material impact to the financial position of the District.

***C. School Foundation***

In fiscal year 2021, School District foundation funding was based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 21 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 21 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Note 21 - Set-Asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. 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. In prior fiscal years, the School District was also required to set-aside money for textbooks.

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

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|   | Capital<br>Improvements<br>Reserve |
|---|------------------------------------|
| Set-aside Reserve Balance as of June 30, 2020               | \$0                                |
| Current Year Set-aside Requirement                          | 383,927                            |
| Offsets   | (162,497)                          |
| Qualifying Disbursements                                    | (260,977)                          |
| Total   | (\$39,547)                         |
| Set-aside Balance Carried Forward<br>to Future Fiscal Years | \$0                                |

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Note 22 - Significant Commitments**

**A. Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

|                              |              |
|------------------------------|--------------|
| General Fund                 | \$249,410    |
| Building Fund                | 5,009,965    |
| OFCC Fund                    | 14,229,413   |
| Other Governmental Funds     | 259,652      |
| Food Service Enterprise Fund | 30,000       |
| Total                        | \$19,778,440 |

**B. Contractual Commitments**

As of June 30, 2021, the School District has contractual purchase commitments for the following project:

| Project                         | Contract<br>Amount | Contract<br>Expended | Balance<br>at 6/30/21 |
|---------------------------------|--------------------|----------------------|-----------------------|
| School Facilities Construction: |                    |                      |                       |
| Governmental Funds              | \$63,381,358       | \$55,043,967         | \$8,337,391           |
| Enterprise Funds                | 3,618,314          | 3,319,572            | 298,742               |
| Total                           | \$66,999,672       | \$58,363,539         | \$8,636,133           |

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*For the Fiscal Year Ended June 30, 2021*

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**Note 23 - Asset Retirement Obligations**

The Bureau of Underground Storage Tank Regulations (BUSTR) regulates petroleum and hazardous substances stored in underground storage tanks. These regulations are included in Ohio Administrative Code Section 1301-7-9 and require a School District classified as an “owner” or “operator,” to remove from the ground any underground storage tank (UST) that is not in use for a year or more. A permit must first be obtained for that year it is not being used. Once the UST is removed, the soil in the UST cavity and excavated material must be tested for contamination. This asset retirement obligation (ARO) of \$20,000 associated with the School Districts’ underground storage tank was estimated by the School Districts’ Buildings and Grounds Director and a local contractor. The remaining useful life of this UST is 3 years. The School District maintains insurance related to any potential pollution remediation associated with the USTs.

**Note 24 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2021, the school district received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. The School District’s investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020, and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

**Note 25 - Subsequent Event**

For fiscal year 2022, School District foundation funding received from the state of Ohio will be funded using a direct funding model. Under this new model, community school, STEM school, scholarship, and open enrollment funding will be directly funded by the State of Ohio to the respective educating schools. For fiscal year 2021 and prior, the amounts related to students who were residents of the School District were funded to the School District who, in turn, made the payment to the educating school. For fiscal year 2021, the School District reported \$310,092 in and expenditures/expenses related to these programs. This new funding system calculates a unique base cost and a unique “per-pupil local capacity amount” for each School District. The School District’s state core foundation funding is then calculated. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Eight Fiscal Years (1)\**

|   | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|
| School District's Proportion of the Net Pension Liability   | 0.01006688% | 0.10253330% | 0.09870700% | 0.10068200% |
| School District's Proportionate Share of the Net Pension Liability  | \$6,658,447 | \$6,134,747 | \$5,653,041 | \$6,015,521 |
| School District's Covered Payroll   | \$3,567,400 | \$3,520,341 | \$3,115,548 | \$3,630,979 |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 186.65%     | 174.27%     | 181.45%     | 165.67%     |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                | 68.55%      | 70.85%      | 71.36%      | 69.50%      |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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| 2017        | 2016        | 2015        | 2014        |
|-------------|-------------|-------------|-------------|
| 0.10000620% | 0.09730800% | 0.08868900% | 0.08868900% |
| \$7,323,593 | \$5,552,489 | \$4,924,702 | \$4,488,500 |
| \$3,101,886 | \$2,996,624 | \$2,984,740 | \$2,158,664 |
| 236.10%     | 185.29%     | 165.00%     | 207.93%     |
| 62.98%      | 69.16%      | 71.70%      | 65.52%      |

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Eight Fiscal Years (1)\**

|   | 2021         | 2020         | 2019         | 2018         |
|---|--------------|--------------|--------------|--------------|
| School District's Proportion of the Net Pension Liability   | 0.07825029%  | 0.07853249%  | 0.07952587%  | 0.08035024%  |
| School District's Proportionate Share of the Net Pension Liability  | \$18,933,785 | \$17,366,988 | \$17,485,954 | \$19,087,372 |
| School District's Covered Payroll   | \$9,547,386  | \$9,223,079  | \$9,099,771  | \$8,842,100  |
| School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 198.31%      | 188.30%      | 192.16%      | 215.87%      |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                | 75.50%       | 77.40%       | 77.30%       | 75.30%       |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information



| 2017         | 2016         | 2015         | 2014         |
|--------------|--------------|--------------|--------------|
| 0.08028829%  | 0.07747167%  | 0.07838800%  | 0.07838800%  |
| \$26,721,242 | \$21,410,904 | \$18,843,791 | \$19,066,779 |
| \$8,526,614  | \$8,239,029  | \$7,936,062  | \$8,058,277  |
| 313.39%      | 259.87%      | 237.45%      | 236.61%      |
| 66.80%       | 72.10%       | 74.70%       | 69.30%       |

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability*  
*School Employees Retirement System of Ohio*  
*Last Five Fiscal Years (1)*

|  | 2021        | 2020        | 2019        | 2018        | 2017        |
|--|-------------|-------------|-------------|-------------|-------------|
| School District's Proportion of the Net OPEB Liability   | 0.10463680% | 0.10509620% | 0.10048900% | 0.10206430% | 0.10148120% |
| School District's Proportionate Share of the Net OPEB Liability  | \$2,274,101 | \$2,642,948 | \$2,787,836 | \$2,739,138 | \$2,892,590 |
| School District's Covered Payroll  | \$3,567,400 | \$3,520,341 | \$3,115,548 | \$3,630,979 | \$3,101,886 |
| School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 63.75%      | 75.08%      | 89.48%      | 75.44%      | 93.25%      |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability                                | 18.17%      | 15.57%      | 13.57%      | 12.46%      | 11.49%      |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)*  
*State Teachers Retirement System of Ohio*  
*Last Five Fiscal Years (1)*

|  | 2021          | 2020          | 2019          | 2018        | 2017        |
|--|---------------|---------------|---------------|-------------|-------------|
| School District's Proportion of the Net OPEB Liability   | 0.07825029%   | 0.07853249%   | 0.07952587%   | 0.08035024% | 0.08028829% |
| School District's Proportionate Share of the Net OPEB Liability (Asset)  | (\$1,375,247) | (\$1,300,687) | (\$1,277,900) | \$3,134,971 | \$4,293,839 |
| School District's Covered Payroll  | \$9,547,386   | \$9,223,079   | \$9,099,771   | \$8,842,100 | \$8,526,614 |
| School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | -14.40%       | -14.10%       | -14.04%       | 35.46%      | 50.36%      |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)                                | 182.10%       | 174.70%       | 176.00%       | 47.10%      | 37.30%      |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each fiscal year.

\*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*School Employees Retirement System of Ohio*  
*Last Ten Fiscal Years*

|   | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Net Pension Liability</b>  |                  |                  |                  |                  |                  |
| Contractually Required Contribution                                     | \$489,694        | \$499,436        | \$475,246        | \$420,599        | \$508,337        |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(489,694)</u> | <u>(499,436)</u> | <u>(475,246)</u> | <u>(420,599)</u> | <u>(508,337)</u> |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| School District Covered Payroll (1)                                     | \$3,497,814      | \$3,567,400      | \$3,520,341      | \$3,115,548      | \$3,630,979      |
| Pension Contributions as a Percentage of<br>Covered Payroll             | <u>14.00%</u>    | <u>14.00%</u>    | <u>13.50%</u>    | <u>13.50%</u>    | <u>14.00%</u>    |
| <b>Net OPEB Liability</b>   |                  |                  |                  |                  |                  |
| Contractually Required Contribution (2)                                 | \$66,184         | \$68,039         | \$81,842         | \$71,424         | \$55,144         |
| Contributions in Relation to the<br>Contractually Required Contribution | <u>(66,184)</u>  | <u>(68,039)</u>  | <u>(81,842)</u>  | <u>(71,424)</u>  | <u>(55,144)</u>  |
| Contribution Deficiency (Excess)  | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| OPEB Contributions as a Percentage of<br>Covered Payroll                | <u>1.89%</u>     | <u>1.91%</u>     | <u>2.32%</u>     | <u>2.29%</u>     | <u>1.52%</u>     |
| Total Contributions as a Percentage of<br>Covered Payroll (2)           | <u>15.89%</u>    | <u>15.91%</u>    | <u>15.82%</u>    | <u>15.79%</u>    | <u>15.52%</u>    |

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

| <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      | <u>2012</u>      |
|------------------|------------------|------------------|------------------|------------------|
| \$434,264        | \$391,001        | \$413,685        | \$298,759        | \$293,529        |
| <u>(434,264)</u> | <u>(391,001)</u> | <u>(413,685)</u> | <u>(298,759)</u> | <u>(293,529)</u> |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| \$3,101,886      | \$2,996,624      | \$2,984,740      | \$2,158,664      | \$2,182,370      |
| <u>14.00%</u>    | <u>13.05%</u>    | <u>13.86%</u>    | <u>13.84%</u>    | <u>13.45%</u>    |
| \$51,692         | \$75,628         | \$49,653         | \$39,072         | \$48,012         |
| <u>(51,692)</u>  | <u>(75,628)</u>  | <u>(49,653)</u>  | <u>(39,072)</u>  | <u>(48,012)</u>  |
| <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       | <u>\$0</u>       |
| <u>1.67%</u>     | <u>2.52%</u>     | <u>1.66%</u>     | <u>1.81%</u>     | <u>2.20%</u>     |
| <u>15.67%</u>    | <u>15.57%</u>    | <u>15.52%</u>    | <u>15.65%</u>    | <u>15.65%</u>    |

**Warren Local School District, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions*  
*State Teachers Retirement System of Ohio*  
*Last Ten Fiscal Years*

|  | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Net Pension Liability</b>   |                    |                    |                    |                    |                    |
| Contractually Required Contribution                                  | \$1,356,306        | \$1,336,634        | \$1,291,231        | \$1,273,968        | \$1,237,894        |
| Contributions in Relation to the Contractually Required Contribution | <u>(1,356,306)</u> | <u>(1,336,634)</u> | <u>(1,291,231)</u> | <u>(1,273,968)</u> | <u>(1,237,894)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         |
| School District Covered Payroll                                      | \$9,687,900        | \$9,547,386        | \$9,223,079        | \$9,099,771        | \$8,842,100        |
| Pension Contributions as a Percentage of Covered Payroll             | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      |
| <b>Net OPEB Liability</b>  |                    |                    |                    |                    |                    |
| Contractually Required Contribution                                  | \$0                | \$0                | \$0                | \$0                | \$0                |
| Contributions in Relation to the Contractually Required Contribution | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           | <u>0</u>           |
| Contribution Deficiency (Excess)                                     | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         |
| OPEB Contributions as a Percentage of Covered Payroll                | <u>0.00%</u>       | <u>0.00%</u>       | <u>0.00%</u>       | <u>0.00%</u>       | <u>0.00%</u>       |
| Total Contributions as a Percentage of Covered Payroll               | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      |

See accompanying notes to the required supplementary information

| <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        | <u>2012</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$1,193,726        | \$1,153,464        | \$1,031,688        | \$1,047,576        | \$1,108,597        |
| <u>(1,193,726)</u> | <u>(1,153,464)</u> | <u>(1,031,688)</u> | <u>(1,047,576)</u> | <u>(1,108,597)</u> |
| <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         |
| \$8,526,614        | \$8,239,029        | \$7,936,062        | \$8,058,277        | \$8,527,669        |
| <u>14.00%</u>      | <u>14.00%</u>      | <u>13.00%</u>      | <u>13.00%</u>      | <u>13.00%</u>      |
| \$0                | \$0                | \$79,361           | \$80,583           | \$85,277           |
| <u>0</u>           | <u>0</u>           | <u>(79,361)</u>    | <u>(80,583)</u>    | <u>(85,277)</u>    |
| <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         | <u>\$0</u>         |
| <u>0.00%</u>       | <u>0.00%</u>       | <u>1.00%</u>       | <u>1.00%</u>       | <u>1.00%</u>       |
| <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      | <u>14.00%</u>      |

**Warren Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

**Net Pension Liability**

**Changes in Assumptions – SERS**

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

|   | Fiscal Year 2017  | Fiscal Year 2016 and Prior                                      |
|---|---|---|
| Wage Inflation                                  | 3.00 percent  | 3.25 percent  |
| Future Salary Increases,<br>including inflation | 3.50 percent to 18.20 percent                                   | 4.00 percent to 22.00 percent                                   |
| Investment Rate of Return                       | 7.50 percent net of investments<br>expense, including inflation | 7.75 percent net of investments<br>expense, including inflation |

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are 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. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

**Changes in Assumptions - STRS**

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented below:

|                                      | Fiscal Year 2018   | Fiscal Year 2017 and Prior   |
|--------------------------------------|--|--|
| Inflation                            | 2.50 percent   | 2.75 percent   |
| Projected salary increases           | 12.50 percent at age 20 to<br>2.50 percent at age 65             | 12.25 percent at age 20 to<br>2.75 percent at age 70   |
| Investment Rate of Return            | 7.45 percent, net of investment<br>expenses, including inflation | 7.75 percent, net of investment<br>expenses, including inflation   |
| Payroll Increases                    | 3 percent  | 3.5 percent  |
| Cost-of-Living Adjustments<br>(COLA) | 0.0 percent, effective July 1, 2017                              | 2 percent simple applied as follows:<br>for members retiring before<br>August 1, 2013, 2 percent per year;<br>for members retiring August 1, 2013,<br>or later, 2 percent COLA commences<br>on fifth anniversary of retirement date. |



**Warren Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

### **Net OPEB Liability**

#### **Changes in Assumptions – SERS**

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

|   |              |
|---|--------------|
| Municipal Bond Index Rate:  |              |
| Fiscal year 2021  | 2.45 percent |
| Fiscal year 2020  | 3.13 percent |
| Fiscal year 2019  | 3.62 percent |
| Fiscal year 2018  | 3.56 percent |
| Fiscal year 2017  | 2.92 percent |
| Single Equivalent Interest Rate, net of plan investment expense,<br>including price inflation |              |
| Fiscal year 2021  | 2.63 percent |
| Fiscal year 2020  | 3.22 percent |
| Fiscal year 2019  | 3.70 percent |
| Fiscal year 2018  | 3.63 percent |
| Fiscal year 2017  | 2.98 percent |

#### **Changes in Assumptions – STRS**

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

**Warren Local School District, Ohio**  
*Notes to Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2021*

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**Changes in Benefit Terms – STRS OPEB**

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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

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

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

| <b>FEDERAL GRANTOR<br/>Pass Through Grantor<br/>Program / Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass Through<br/>Entity Identifying<br/>Number</b> | <b>Total Federal<br/>Expenditures</b> |
|---|------------------------------------|---|---------------------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                       |                                    |   |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                    |   |                                       |
| Child Nutrition Cluster:  |                                    |   |                                       |
| Non-Cash Assistance (Food Distribution):                                    |                                    |   |                                       |
| National School Lunch Program   | 10.555                             | 2021  | \$58,863                              |
| Cash Assistance:  |                                    |   |                                       |
| School Breakfast Program  | 10.553                             | 2021  | 171,294                               |
| COVID-19 School Breakfast Program   | 10.553                             | 2021  | 17,995                                |
| National School Lunch Program   | 10.555                             | 2021  | 386,392                               |
| COVID-19 National School Lunch Program                                      | 10.555                             | 2021  | 44,493                                |
| Cash Assistance Subtotal  |                                    |   | <u>620,174</u>                        |
| Total Child Nutrition Cluster   |                                    |   | <u>679,037</u>                        |
| Total U.S. Department of Agriculture  |                                    |   | <u><b>679,037</b></u>                 |
| <b>U.S. DEPARTMENT OF THE TREASURY</b>                                      |                                    |   |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                    |   |                                       |
| Covid 19: Coronavirus Relief Fund- Broadband Connectivity                   | 21.019                             | 2021  | 151,466                               |
| Covid 19: Coronavirus Relief Fund-Rural and Small Town                      | 21.019                             | 2021  | 146,696                               |
| <b>Passed Through Washington County</b>                                     |                                    |   |                                       |
| Covid 19: Coronavirus Relief Fund- Washington County JFS                    | 21.019                             | 2021  | 50,000                                |
| Total Coronavirus Relief Fund   |                                    |   | <u>348,162</u>                        |
| Total U.S. Department of the Treasury                                       |                                    |   | <u><b>348,162</b></u>                 |
| <b>U.S. DEPARTMENT OF EDUCATION</b>   |                                    |   |                                       |
| <b>Passed Through Ohio Department of Education</b>                          |                                    |   |                                       |
| Title I Grants to Local Educational Agencies                                | 84.010                             | 2020  | 59,191                                |
|   |                                    | 2021  | <u>691,891</u>                        |
| Total Title I Grants to Local Educational Agencies                          |                                    |   | 751,082                               |
| Special Education Cluster:  |                                    |   |                                       |
| Special Education Grants to States  | 84.027                             | 2020  | 30,001                                |
|   |                                    | 2021  | <u>398,985</u>                        |
| Total Special Education Grants to States                                    |                                    |   | 428,986                               |
| <b>Passed Through Ohio Valley Educational Service Center:</b>               |                                    |   |                                       |
| Special Education Preschool Grants  | 84.173                             | 2021  | <u>13,258</u>                         |
| Total Special Education Cluster   |                                    |   | 442,244                               |
| Career and Technical Education - Basic Grants to States                     | 84.048                             | 2021  | <u>183,064</u>                        |
| Total Career and Technical Education - Basic Grants to States               |                                    |   | 183,064                               |
| <b>Passed Through Ohio Department of Education</b>                          |                                    |   |                                       |
| Improving Teacher Quality State Grants                                      | 84.367                             | 2020  | 3,736                                 |
|   |                                    | 2021  | <u>39,685</u>                         |
| Total Improving Teacher Quality State Grants                                |                                    |   | 43,421                                |
| Student Support and Academic Enrichment Program                             | 84.424                             | 2021  | <u>6,594</u>                          |
| Total Student Support and Academic Enrichment Program                       |                                    |   | 6,594                                 |
| Education Stabilization Fund  |                                    |   |                                       |
| Covid 19: Elementary and Secondary School Emergency Relief Fund             | 84.425D                            | 2021  | <u>12,974</u>                         |
| Total Education Stabilization Fund  |                                    |   | 12,974                                |
| Total U.S. Department of Education  |                                    |   | <u><b>1,439,379</b></u>               |
| <b>Total Expenditures of Federal Awards</b>                                 |                                    |   | <u><b>\$2,466,578</b></u>             |

The accompanying notes are an integral part of this schedule.

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Warren Local School District (the School District's) under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C – INDIRECT COST RATE**

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

**NOTE D - CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

# OHIO AUDITOR OF STATE KEITH FABER



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

Warren Local School District  
Washington County  
220 Sweetapple Rd.  
Vincent, Ohio 45784

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 23, 2022, wherein we noted the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and construction in process was restated which resulted in a restatement to the June 30, 2020 net position for governmental activities and business-type activities. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022

# OHIO AUDITOR OF STATE KEITH FABER



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

Warren Local School District  
Washington County  
220 Sweetapple Rd.  
Vincent, Ohio 45784

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Warren Local School District's, Washington County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Warren Local School District's major federal programs for the year ended June 30, 2021. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Programs***

In our opinion, the Warren Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

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

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

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



Keith Faber  
Auditor of State  
Columbus, Ohio

March 23, 2022



**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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

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

|                     |   |  |
|---------------------|---|--|
| <b>(d)(1)(i)</b>    | <b>Type of Financial Statement Opinion</b>  | Unmodified                                 |
| <b>(d)(1)(ii)</b>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>  | No   |
| <b>(d)(1)(ii)</b>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>   | No   |
| <b>(d)(1)(iii)</b>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>  | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>  | No   |
| <b>(d)(1)(iv)</b>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>   | No   |
| <b>(d)(1)(v)</b>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified                                 |
| <b>(d)(1)(vi)</b>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <b>(d)(1)(vii)</b>  | <b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies Assistance Listing #84.010</li> <li>• Coronavirus Relief Fund Assistance Listing #21.019</li> </ul> |  |
| <b>(d)(1)(viii)</b> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$ 750,000<br>Type B: all others |
| <b>(d)(1)(ix)</b>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | No   |

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

# Warren Local Schools

**Kyle R. Newton, Superintendent**

220 Sweetapple Road  
Vincent, Ohio 45784



**Melcie A. Wells, Treasurer**

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www.warrenlocal.org

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR 200.511(B)  
JUNE 30, 2021**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b> | <b>Additional Information</b> |
|-----------------------|--|---------------|-------------------------------|
| 2020-001              | A material weakness was issued for material adjustments to the Financial Statements. | Corrected     |                               |



# OHIO AUDITOR OF STATE KEITH FABER



**WARREN LOCAL SCHOOL DISTRICT**

**WASHINGTON 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 4/14/2022**

88 East Broad Street, Columbus, Ohio 43215  
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This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)