



Dave Yost • Auditor of State

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 2017**

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WASHINGTON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Warren Local School District
Washington County
220 Sweetapple Rd.
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 activity, 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, 2017, 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 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 activity, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio, as of June 30, 2017, 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.

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 Liabilities and Pension 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 Receipts and Expenditures of Federal Award (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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule 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 1, 2018, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2018

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Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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, 2017. 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 2017 are as follows:

- In total, net position decreased \$185,344. Net position of governmental activities decreased \$102,207, while the net position of the business-type activity decreased \$83,137.
- General revenues accounted for \$19,455,349 in revenue or 83% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,090,595 or 17% of total revenues of \$23,545,944.
- Total program expenses were \$24,527,156. \$23,648,151 in governmental activities and \$879,005 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 2017?" 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, 2017
Unaudited

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 8. Fund financial reports provide detailed information about the School District's major fund. 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 only major governmental fund is the General 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.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
 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 2017 compared to 2016.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	\$18,375,575	\$16,778,412	\$534,006	\$543,472	\$18,909,581	\$17,321,884
Capital Assets, Net	12,902,945	12,361,994	96,312	85,176	12,999,257	12,447,170
<i>Total Assets</i>	<u>31,278,520</u>	<u>29,140,406</u>	<u>630,318</u>	<u>628,648</u>	<u>31,908,838</u>	<u>29,769,054</u>
Deferred Outflows of Resources						
Pension	6,778,427	2,448,026	278,556	220,841	7,056,983	2,668,867
Liabilities						
Current and Other Liabilities	2,997,750	3,056,080	73,329	78,848	3,071,079	3,134,928
Long-term Liabilities						
Due Within One Year	275,000	341,500	0	0	275,000	341,500
Due in More Than One Year						
Net Pension Liability	33,458,933	26,533,501	585,902	429,892	34,044,835	26,963,393
Other Amounts	5,463,668	5,255,328	25,040	18,762	5,488,708	5,274,090
<i>Total Liabilities</i>	<u>42,195,351</u>	<u>35,186,409</u>	<u>684,271</u>	<u>527,502</u>	<u>42,879,622</u>	<u>35,713,911</u>
Deferred Inflows of Resources						
Property Taxes	7,409,159	6,495,655	0	0	7,409,159	6,495,655
Pension	153,669	1,505,393	0	14,247	153,669	1,519,640
<i>Total Deferred Inflows of Resources</i>	<u>7,562,828</u>	<u>8,001,048</u>	<u>0</u>	<u>14,247</u>	<u>7,562,828</u>	<u>8,015,295</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	8,772,945	7,966,994	96,312	85,176	8,869,257	8,052,170
Restricted	611,741	450,503	0	0	611,741	450,503
Unrestricted	(21,085,918)	(20,016,522)	128,291	222,564	(20,957,627)	(19,793,958)
<i>Total Net Assets</i>	<u>(\$11,701,232)</u>	<u>(\$11,599,025)</u>	<u>\$224,603</u>	<u>\$307,740</u>	<u>(\$11,476,629)</u>	<u>(\$11,291,285)</u>

During fiscal year 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end 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 and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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 costs, GASB 27 focused on a funding approach. This approach limited pension 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 takes an earnings approach to pension 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.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Under the new standards required by GASB 68, the net pension 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 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 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 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 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 and vacation 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 benefits, contribution rates, and return on investments affect the balance of the net pension 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 payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension 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, 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 \$2,139,784, with governmental position increasing \$2,138,114 and business-type position increasing \$1,670.

Total liabilities increased \$7,165,711, with governmental liabilities increasing \$7,008,942 and business-type liabilities increasing \$156,769.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2017 compared to 2016.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
 Unaudited

(Table 2)
 Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$1,639,153	\$1,637,475	\$323,201	\$344,249	\$1,962,354	\$1,981,724
Operating Grants, Contributions and Interest	2,451,442	2,075,725	463,760	418,730	2,915,202	2,494,455
Capital Grants and Contributions	0	0	0	0	0	0
Total Program Revenues	4,090,595	3,713,200	786,961	762,979	4,877,556	4,476,179
General Revenues:						
Property Taxes	6,675,759	4,616,990	0	0	6,675,759	4,616,990
Grants and Entitlements	12,583,395	12,826,972	0	0	12,583,395	12,826,972
Interest	51,546	80,817	2,907	2,738	54,453	83,555
Miscellaneous	144,649	88,020	6,000	0	150,649	88,020
Total General Revenues	19,455,349	17,612,799	8,907	2,738	19,464,256	17,615,537
Total Revenues	23,545,944	21,325,999	795,868	765,717	24,341,812	22,091,716
Program Expenses						
Instruction:						
Regular	11,934,614	10,372,172	0	0	11,934,614	10,372,172
Special	3,179,601	2,728,310	0	0	3,179,601	2,728,310
Vocational	88,912	69,866	0	0	88,912	69,866
Intervention	0	18,055	0	0	0	18,055
Support Services:						
Pupils	726,917	678,578	0	0	726,917	678,578
Instructional Staff	762,192	761,226	0	0	762,192	761,226
Board of Education	72,686	70,189	0	0	72,686	70,189
Administration	1,717,153	1,553,885	0	0	1,717,153	1,553,885
Fiscal	607,736	625,937	0	0	607,736	625,937
Business	10,689	13,315	0	0	10,689	13,315
Operation and Maintenance of Plant	1,765,508	2,068,627	0	0	1,765,508	2,068,627
Pupil Transportation	1,973,729	1,716,565	0	0	1,973,729	1,716,565
Central	28,183	29,588	0	0	28,183	29,588
Operation of Non-Instructional Services	600	1,056	0	0	600	1,056
Extracurricular Activities	673,921	596,603	0	0	673,921	596,603
Interest and Fiscal Charges	105,710	98,518	0	0	105,710	98,518
Food Service	0	0	879,005	792,838	879,005	792,838
Total Expenses	23,648,151	21,402,490	879,005	792,838	24,527,156	22,195,328
Increase in Net Assets	(102,207)	(76,491)	(83,137)	(27,121)	(185,344)	(103,612)
Net Assets Beginning of Year	(11,599,025)	(11,522,534)	307,740	334,861	(11,291,285)	(11,187,673)
Net Assets End of Year	(\$11,701,232)	(\$11,599,025)	\$224,603	\$307,740	(\$11,476,629)	(\$11,291,285)

GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the fiscal year 2017 statements report pension expense of \$3,073,586.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
 Unaudited

From fiscal year 2016 to fiscal year 2017, total revenues increased \$2,250,096 while total expenses increased \$2,331,828. Expenses outpaced revenues by \$185,344.

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 28 percent of revenues for governmental activities for Warren Local School District. Of the remaining revenues, the School District receives 64 percent from state foundation, federal, and state grants; 7 percent from charges for services; and less than 1 percent from interest and local revenues.

Nearly 64 percent of the School District's budget is used to fund instructional expenses. Support services make up 32 percent of expenses and 4 percent is used for extracurricular activities, non-instructional services 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.

(Table 3)
 Governmental Activities

	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program Expenses				
Instruction:				
Regular	\$11,934,614	\$10,219,674	\$10,372,172	\$8,829,569
Special	3,179,601	1,383,487	2,728,310	1,099,800
Vocational	88,912	18,568	69,866	19,528
Intervention	0	0	18,055	18,055
Support Services:				
Pupils	726,917	717,353	678,578	668,691
Instructional Staff	762,192	705,055	761,226	706,272
Board of Education	72,686	72,686	70,189	70,189
Administration	1,717,153	1,717,153	1,553,885	1,553,885
Fiscal	607,736	607,736	625,937	625,937
Business	10,689	10,689	13,315	13,315
Operation and Maintenance of Plant	1,765,508	1,765,508	2,068,627	2,068,627
Pupil Transportation	1,973,729	1,786,003	1,716,565	1,534,771
Central	28,183	28,183	29,588	29,588
Operation of Non-Instructional Services	600	33	1,056	(210)
Extracurricular Activities	673,921	419,718	596,603	352,755
Interest and Fiscal Charges	105,710	105,710	98,518	98,518
Total	<u>\$23,648,151</u>	<u>\$19,557,556</u>	<u>\$21,402,490</u>	<u>\$17,689,290</u>

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Nearly 29 percent of total expenses are supported through taxes and other general revenues. Grants and entitlements not restricted to specific programs supported 53 percent of expenses, while program revenues, investments and other miscellaneous types of revenues supported the remaining activity costs.

Business-Type Activity

The business-type activity is the School District's food service operation. This program had total revenues of \$795,868 and total expenses of \$879,005 for fiscal year 2017. 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 \$23,569,336 and expenditures of \$22,890,650. The School District's General fund had a fund balance increase of \$759,277.

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.

During the course of fiscal year 2017, 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 \$22,280,718, \$869,006 above final estimates of \$21,411,712. Expenditures of \$21,923,888 were lower than final appropriations of \$22,882,395. Final appropriations were increased 14,428 from originals.

Capital Position

At the end of fiscal year 2017, the School District had \$12,999,257 invested in land, construction-in-progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017 balances compared to 2016.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
 Unaudited

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2016	2016	2017	2016
Land	\$330,057	\$330,057	\$0	\$0	\$330,057	\$330,057
Construction in Progress	6,153,892	5,743,300	0	0	6,153,892	5,743,300
Buildings and Improvements	4,953,360	5,027,665	0	0	4,953,360	5,027,665
Furniture and Equipment	804,463	678,067	96,312	85,176	900,775	763,243
Vehicles	661,173	582,905	0	0	661,173	582,905
Totals	<u>\$12,902,945</u>	<u>\$12,361,994</u>	<u>\$96,312</u>	<u>\$85,176</u>	<u>\$12,999,257</u>	<u>\$12,447,170</u>

In 2016 and 2017, School District renovated and build an addition on to the Warren Middle School. This project was not complete as of fiscal year end so this activity is reflected in construction in progress.

See Note 12 to the basic financial statements for more information on capital position.

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 aging 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 challenge of the District is the maintenance of old structures throughout the District. The District was successful in passing a bond levy in May 2017 that will work 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..

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 wj_mwells@warrenlocal.org.

Warren Local School District, Ohio

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$9,469,705	\$516,256	\$9,985,961
Cash and Cash Equivalents in Segregated Accounts	1,241	0	1,241
Inventory Held for Resale	0	15,073	15,073
Materials and Supplies Inventory	232,922	2,677	235,599
Intergovernmental Receivable	446,466	0	446,466
Accounts Receivable	2,000	0	2,000
Property Taxes Receivable	8,223,241	0	8,223,241
Nondepreciable Capital Assets	6,483,949	0	6,483,949
Depreciable Capital Assets, Net	6,418,996	96,312	6,515,308
<i>Total Assets</i>	<u>31,278,520</u>	<u>630,318</u>	<u>31,908,838</u>
Deferred Outflows of Resources			
Pension	6,778,427	278,556	7,056,983
Liabilities			
Accounts Payable	69,091	0	69,091
Accrued Wages and Benefits Payable	1,957,341	59,240	2,016,581
Retainage Payable	10,309	0	10,309
Vacation Benefits Payable	68,125	0	68,125
Matured Compensated Absences Payable	43,430	0	43,430
Intergovernmental Payable	458,351	14,089	472,440
Claims Payable	391,103	0	391,103
Long-Term Liabilities:			
Due Within One Year	275,000	0	275,000
Due In More Than One Year:			
Net Pension Liability (See Note 13)	33,458,933	585,902	34,044,835
Other Amounts Due in More than One Year	5,463,668	25,040	5,488,708
<i>Total Liabilities</i>	<u>42,195,351</u>	<u>684,271</u>	<u>42,879,622</u>
Deferred Inflows of Resources			
Property Taxes	7,409,159	0	7,409,159
Pension	153,669	0	153,669
<i>Total Deferred Inflows of Resources</i>	7,562,828	0	7,562,828
Net Position			
Invested in Capital Assets, Net of Related Debt	8,772,945	96,312	8,869,257
Restricted for:			
Unclaimed Monies	12,674	0	12,674
Other Purposes	599,067	0	599,067
Unrestricted (Deficits)	(21,085,918)	128,291	(20,957,627)
<i>Total Net Position</i>	<u>(\$11,701,232)</u>	<u>\$224,603</u>	<u>(\$11,476,629)</u>

See accompanying notes to the basic financial statements.

Warren Local School District, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2017

	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
Governmental Activities							
Instruction:							
Regular	\$11,934,614	\$1,418,673	\$296,267	\$0	(\$10,219,674)	\$0	(\$10,219,674)
Special	3,179,601	0	1,796,114	0	(1,383,487)	0	(1,383,487)
Vocational	88,912	0	70,344	0	(18,568)	0	(18,568)
Pupils	726,917	0	9,564	0	(717,353)	0	(717,353)
Instructional Staff	762,192	0	57,137	0	(705,055)	0	(705,055)
Board of Education	72,686	0	0	0	(72,686)	0	(72,686)
Administration	1,717,153	0	0	0	(1,717,153)	0	(1,717,153)
Fiscal	607,736	0	0	0	(607,736)	0	(607,736)
Business	10,689	0	0	0	(10,689)	0	(10,689)
Operation and							
Maintenance of Plant	1,765,508	0	0	0	(1,765,508)	0	(1,765,508)
Pupil Transportation	1,973,729	0	187,726	0	(1,786,003)	0	(1,786,003)
Central	28,183	0	0	0	(28,183)	0	(28,183)
Operation of Non-Instructional							
Services	600	0	567	0	(33)	0	(33)
Extracurricular Activities	673,921	220,480	33,723	0	(419,718)	0	(419,718)
Interest and Fiscal Charges	105,710	0	0	0	(105,710)	0	(105,710)
<i>Total Governmental Activities</i>	23,648,151	1,639,153	2,451,442	0	(19,557,556)	0	(19,557,556)
Business-Type Activity							
Food Service	879,005	323,201	463,760	0	0	(92,044)	(92,044)
<i>Totals</i>	<u>\$24,527,156</u>	<u>\$1,962,354</u>	<u>\$2,915,202</u>	<u>\$0</u>	<u>(19,557,556)</u>	<u>(92,044)</u>	<u>(19,649,600)</u>
General Revenues							
Property Taxes Levied for General Purposes					6,675,759	0	6,675,759
Grants and Entitlements not Restricted to Specific Programs					12,583,395	0	12,583,395
Interest					51,546	2,907	54,453
Miscellaneous					144,649	6,000	150,649
<i>Total General Revenues</i>					<u>19,455,349</u>	<u>8,907</u>	<u>19,464,256</u>
<i>Change in Net Position</i>					(102,207)	(83,137)	(185,344)
<i>Net Position (Deficit) Beginning of Year</i>					<u>(11,599,025)</u>	<u>307,740</u>	<u>(11,291,285)</u>
<i>Net Position (Deficit) End of Year</i>					<u>(\$11,701,232)</u>	<u>\$224,603</u>	<u>(\$11,476,629)</u>

See accompanying notes to the basic financial statements.

Warren Local School District, Ohio

Balance Sheet

Governmental Funds

June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$7,758,831	\$546,819	\$8,305,650
Cash and Cash Equivalents in Segregated Accounts	0	1,241	1,241
Receivables:			
Property Taxes	8,223,241	0	8,223,241
Accounts	2,000	0	2,000
Intergovernmental	114,705	331,761	446,466
Materials and Supplies Inventory	232,922	0	232,922
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	12,674	0	12,674
<i>Total Assets</i>	<u>16,344,373</u>	<u>879,821</u>	<u>17,224,194</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$17,479	\$51,612	\$69,091
Accrued Wages and Benefits Payable	1,856,403	100,938	1,957,341
Retainage Payable	0	10,309	10,309
Intergovernmental Payable	440,688	17,663	458,351
Matured Compensated Absences Payable	43,430	0	43,430
<i>Total Liabilities</i>	<u>2,358,000</u>	<u>180,522</u>	<u>2,538,522</u>
Deferred Inflows of Revenues			
Property Taxes not Levied to Finance Current Year Operations	7,679,472	0	7,679,472
Unavailable Revenue	0	185,483	185,483
<i>Total Deferred Inflows of Revenues</i>	<u>7,679,472</u>	<u>185,483</u>	<u>7,864,955</u>
Fund Balances			
Nonspendable	232,922	0	232,922
Restricted	12,674	64,361	77,035
Committed	353,656	0	353,656
Assigned	48,650	552,579	601,229
Unassigned	5,658,999	(103,124)	5,555,875
<i>Total Fund Balances</i>	<u>6,306,901</u>	<u>513,816</u>	<u>6,820,717</u>
<i>Total Liabilities, Deferred Inflows of Revenues and Fund Balances</i>	<u>\$16,344,373</u>	<u>\$879,821</u>	<u>\$17,224,194</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, 2017*

Total Governmental Fund Balances	\$6,820,717
 <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.	12,902,945
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	270,313
Grants	<u>185,483</u>
	455,796
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 assets.	760,278
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.	(68,125)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reports in the funds:	
Deferred Outflows - Pension	6,778,427
Deferred Inflows - Pension	(153,669)
Net Pension Liability	(33,458,933)
Capital Lease Payable	(4,130,000)
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:	<u>(1,608,668)</u>
Net Position of Governmental Activities	<u><u>(\$11,701,232)</u></u>
 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, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$6,860,134	\$0	\$6,860,134
Intergovernmental	13,935,806	889,325	14,825,131
Interest	26,408	25,336	51,744
Tuition and Fees	1,402,160	0	1,402,160
Extracurricular Activities	63,543	156,739	220,282
Gifts and Donations	12,974	37,950	50,924
Miscellaneous	148,188	10,773	158,961
<i>Total Revenues</i>	<u>22,449,213</u>	<u>1,120,123</u>	<u>23,569,336</u>
Expenditures			
Current:			
Instruction:			
Regular	11,090,621	72,040	11,162,661
Special	2,270,161	767,648	3,037,809
Vocational	82,574	0	82,574
Support Services:			
Pupils	639,789	16,201	655,990
Instructional Staff	660,351	79,843	740,194
Board of Education	72,686	0	72,686
Administration	1,615,942	228	1,616,170
Fiscal	567,289	6,400	573,689
Business	9,980	0	9,980
Operation and Maintenance of Plant	1,796,904	0	1,796,904
Pupil Transportation	1,976,433	403	1,976,836
Central	28,183	0	28,183
Operation of Non-Instructional Services	1,064	600	1,664
Extracurricular Activities	382,845	181,127	563,972
Capital Outlay	124,404	76,224	200,628
Debt Service:			
Principal Payments	265,000	0	265,000
Interest	105,710	0	105,710
<i>Total Expenditures</i>	<u>21,689,936</u>	<u>1,200,714</u>	<u>22,890,650</u>
<i>Net Change in Fund Balance</i>	<u>759,277</u>	<u>(80,591)</u>	<u>678,686</u>
<i>Fund Balances Beginning of Year</i>	<u>5,547,624</u>	<u>594,407</u>	<u>6,142,031</u>
<i>Fund Balances End of Year</i>	<u>\$6,306,901</u>	<u>\$513,816</u>	<u>\$6,820,717</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, 2017*

Net Change in Fund Balances - Total Governmental Funds		\$678,686
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>		
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 depreciation exceeded capital outlays.		
Capital Asset Additions	930,955	
Depreciation Expense	<u>(390,004)</u>	540,951
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Taxes	(184,376)	
Grants	<u>160,983</u>	(23,393)
Contractually required contributions are reported as expenditures in the governmental funds; however, the statement of net position reports these amounts as deferred outflows		
		1,705,564
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(2,948,871)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position		
		265,000
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	5,175	
Sick Leave Benefits Payable	<u>(406,840)</u>	(401,665)
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		
		<u>81,521</u>
<i>Change in Net Position of Governmental Activities</i>		<u><u>(\$102,207)</u></u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$6,024,287	\$6,024,287	\$6,753,011	\$728,724
Intergovernmental	13,801,325	13,801,325	13,927,162	125,837
Interest	25,000	25,000	26,408	1,408
Tuition and Fees	1,416,000	1,416,000	1,402,160	(13,840)
Miscellaneous	145,100	145,100	171,977	26,877
<i>Total Revenues</i>	<u>21,411,712</u>	<u>21,411,712</u>	<u>22,280,718</u>	<u>869,006</u>
Expenditures				
Current:				
Instruction:				
Regular	11,567,686	11,582,114	11,109,628	472,486
Special	2,278,782	2,278,782	2,269,643	9,139
Vocational	82,578	82,578	81,213	1,365
Intervention	13,100	13,100	6,176	6,924
Support Services:				
Pupils	686,543	686,543	641,246	45,297
Instructional Staff	715,522	715,522	675,555	39,967
Board of Education	121,645	121,645	76,536	45,109
Administration	1,657,245	1,657,245	1,604,406	52,839
Fiscal	603,094	603,094	571,157	31,937
Business	10,019	10,019	10,034	(15)
Operation and Maintenance of Plant	1,954,332	1,954,332	1,836,594	117,738
Pupil Transportation	2,011,161	2,011,161	2,006,424	4,737
Central	31,059	31,059	28,254	2,805
Extracurricular Activities	370,184	370,184	389,359	(19,175)
Capital Outlay	394,307	394,307	246,953	147,354
Debt Service:				
Principal Retirement	265,000	265,000	265,000	0
Interest and Fiscal Charges	105,710	105,710	105,710	0
<i>Total Expenditures</i>	<u>22,867,967</u>	<u>22,882,395</u>	<u>21,923,888</u>	<u>958,507</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,456,255)</u>	<u>(1,470,683)</u>	<u>356,830</u>	<u>1,827,513</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	5,000	5,000	0	(5,000)
Refund of Prior Year Expenditures	20,000	20,000	52,728	32,728
Other Financing Uses	(789,999)	(789,999)	0	789,999
Insurance Recoveries	1,000	1,000	0	(1,000)
Transfers In	316,000	316,000	0	(316,000)
Refund of Prior Year Refunds	(14,428)	(14,428)	(14,428)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(462,427)</u>	<u>(462,427)</u>	<u>38,300</u>	<u>500,727</u>
<i>Net Change in Fund Balance</i>	<u>(1,918,682)</u>	<u>(1,933,110)</u>	<u>395,130</u>	<u>2,328,240</u>
<i>Fund Balance Beginning of Year</i>	<u>7,080,370</u>	<u>7,080,370</u>	<u>7,080,370</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>211,642</u>	<u>211,642</u>	<u>211,642</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,373,330</u>	<u>\$5,358,902</u>	<u>\$7,687,142</u>	<u>\$2,328,240</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio

Statement of Fund Position

Proprietary Funds

June 30, 2017

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Medical, Dental and Prescription Insurance Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$516,256	\$1,151,381
Inventory Held for Resale	15,073	0
Materials and Supplies Inventory	2,677	0
<i>Total Current Assets</i>	534,006	1,151,381
Noncurrent Assets:		
Depreciable Capital Assets, net	96,312	0
<i>Total Assets</i>	630,318	1,151,381
Deferred Outflows of Resources		
Pension	278,556	0
Liabilities		
Current Liabilities:		
Accrued Wages and Benefits Payable	59,240	0
Intergovernmental Payable	14,089	0
Claims Payable	0	391,103
<i>Total Current Liabilities</i>	73,329	391,103
Long-Term Liabilities		
Sick Leave Benefits Payable	25,040	0
Net Pension Liability	585,902	0
<i>Total Long-Term Liabilities</i>	610,942	0
<i>Total Liabilities</i>	684,271	391,103
Net Position		
Invested in Capital Assets	96,312	0
Unrestricted	128,291	760,278
<i>Total Net Position</i>	\$224,603	\$760,278

See accompanying notes to the basic financial statements.

Warern Local School District, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Medical and Dental Insurance Internal Service Fund
Operating Revenues		
Sales	\$323,201	\$0
Charges for Services	0	4,182,027
<i>Total Operating Revenues</i>	<u>323,201</u>	<u>4,182,027</u>
Operating Expenses		
Salaries	278,543	0
Fringe Benefits	238,974	0
Purchased Services	13,696	1,121,456
Materials and Supplies	45,337	0
Cost of Sales	294,248	0
Depreciation	6,772	0
Capital Outlay	1,435	0
Claims	0	2,982,244
<i>Total Operating Expenses</i>	<u>879,005</u>	<u>4,103,700</u>
<i>Operating Income/(Loss)</i>	<u>(555,804)</u>	<u>78,327</u>
Non-Operating Revenues		
Federal Donated Commodities	58,711	0
Interest	2,907	3,194
Miscellaneous	6,000	0
Federal and State Subsidies	405,049	0
<i>Total Non-Operating Revenues</i>	<u>472,667</u>	<u>3,194</u>
<i>Net Change in Net Position</i>	(83,137)	81,521
<i>Net Position Beginning of Year</i>	<u>307,740</u>	<u>678,757</u>
<i>Net Position End of Year</i>	<u><u>\$224,603</u></u>	<u><u>\$760,278</u></u>

See accompanying notes to the basic financial statements.

Warren Local School District, Ohio

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2017

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	Food Service Enterprise Fund	Medical and Dental Insurance Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$323,201	\$0
Cash Received from Transactions with Other Funds	0	4,182,028
Cash Payments to Suppliers for Goods and Services	(294,629)	(1,121,457)
Cash Payments for Employee Services	(274,091)	0
Cash Payments for Employee Benefits	(158,359)	0
Cash Payments for Claims	0	(2,934,756)
Net Cash Provided by (Used for) Operating Activities	<u>(403,878)</u>	<u>125,815</u>
Cash Flows from Noncapital Financing Activities		
Payments for Miscellaneous Expenses	6,000	0
Operating Grants Received	405,049	0
Net Cash Provided by Financing Activities Activities	411,049	0
Cash Flows used for Capital Financing Activities		
Payments for Capital Acquisitions	<u>(17,908)</u>	<u>0</u>
Cash Flows from Investing Activities		
Interest	<u>2,907</u>	<u>3,194</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(7,830)	129,009
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>524,086</u>	<u>1,022,372</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$516,256</u></u>	<u><u>\$1,151,381</u></u>
Reconciliation of Operating Loss or Gain to Net Cash Used for Operating Activities		
Operating (Loss) Gain	<u>(\$555,804)</u>	<u>\$78,327</u>
Depreciation	6,772	0
Donated Commodities Received During Year	58,711	0
Changes in Assets and Liabilities:		
Increase in Inventory Held for Resale	(1,026)	0
Decrease in Materials and Supplies Inventory	2,662	0
Decrease in Deferred Outflows - Pension	98,152	0
Decrease in Accounts Payable	(260)	0
Decrease in Accrued Wages and Benefits Payable	(472)	0
Increase in Compensated Absences Payable	6,278	0
Decrease in Intergovernmental Payable	(4,787)	0
Decrease in Deferred Inflows Pension	(16,438)	0
Increase in Net Pension Liability	2,334	0
Decrease in Claims Payable	0	47,488
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$403,878)</u></u>	<u><u>\$125,815</u></u>

Non-Cash Non-Capital Financing Transactions: During fiscal year 2017, the Food Service Enterprise Fund received \$58,711 in donated commodities.

See accompanying notes to the basic financial statements.

Warren Local School District, Ohio

Statement of Fund Net Position

Agency Fund

June 30, 2017

Assets

Equity in Pooled Cash and Cash Equivalents \$81,574

Liabilities

Due to Students \$81,574

See accompanying notes to the basic financial statements.

Warren Local School District, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust
	Tracy Scholarship
Additions	
Gifts and Contributions	\$4,000
Deductions	
Scholarships Awarded	4,000
<i>Change in Net Position</i>	0
<i>Net Position Beginning of Year</i>	0
<i>Net Position End of Year</i>	\$0

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, 2017*

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 141 certificated employees and 103 classified employees who provide services to 2,147 students. The School District currently operates six instructional/support facilities.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government 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 Meta Solutions, 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 16 and 17 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the School District's accounting policies are described below.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 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 three categories: governmental, proprietary, 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's major fund is the General Fund.

Warren Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

General Fund The General Fund is used to account for 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.

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 trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

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.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Like the government-wide statements, the proprietary fund is 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. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

The private purpose trust fund is reported using the economic resources measurement focus.

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 and fiduciary 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 represent 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 deferred charges on refunding and for pension.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 2 - Summary of Significant Accounting Policies (Continued)

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 13.

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 School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2017 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 School District, unavailable revenue includes delinquent property taxes, interest, extracurricular activities, student fees and sales, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 13)

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 2017, the School District invested in STAR Ohio. STAR 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 SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2017.

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 2017 amounted to \$51,546, which includes \$49,519 assigned from other School District funds.

The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2017, 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. The School District had no prepaids at June 30, 2017.

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, 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:

Description	Estimated Lives
Buildings and Improvements	20 – 80 years
Furniture and Equipment	5 – 20 years
Vehicles	8 – 12 years

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 2 - Summary of Significant Accounting Policies (Continued)

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 unclaimed monies, and amounts required by statute to be set-aside by the School District for capital improvements. See Note 19 for additional information regarding set-asides.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated on the 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 and judgments, compensated absences, net pension liability, and special termination benefits 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 year.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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. Net position restricted for other purposes include resources restricted for food service operations and athletic and music activities, and federal and state grants restricted to expenditure for specified purposes.

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

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

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 3 - Changes in Accounting Principle and Restatement of Net Position

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's 2017 financial statements; however, there were no material abatements or any abatement that met the GASB 77 definition.

The School District also implemented GASB's *Implementation Guide No. 2016-1*. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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, 2017*

Note 4 – Fund Balances (Continued)

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Materials and Supplies Inventory	\$232,922	\$0	\$232,922
 <u>Restricted for:</u>			
Community Involvement	0	11,520	11,520
Athletics and Music	0	26,247	26,247
Teacher Development	0	26,594	26,594
Unclaimed Monies	12,674	0	12,674
<i>Total Restricted</i>	<u>12,674</u>	<u>64,361</u>	<u>77,035</u>
 <u>Committed to:</u>			
Capital Improvements	11,000	0	11,000
Compensated Absences	342,656	0	342,656
<i>Total Committed</i>	<u>353,656</u>	<u>0</u>	<u>353,656</u>
 <u>Assigned to:</u>			
Capital Improvements	0	552,579	552,579
Other Purposes	48,650	0	48,650
<i>Total Assigned</i>	<u>48,650</u>	<u>552,579</u>	<u>601,229</u>
 Unassigned:	 <u>5,658,997</u>	 <u>(103,124)</u>	 <u>5,555,873</u>
<i>Total Fund Balances</i>	<u><u>\$6,306,899</u></u>	<u><u>\$513,816</u></u>	<u><u>\$6,820,715</u></u>

Note 5 - Fund Deficits

At June 30, 2017, the following funds had deficit fund balances:

	<u>Deficit</u>
Title VIB	(\$31,789)
Title I	(65,234)
Title IIA	(5,517)

The deficits resulted from adjustments for accrued liabilities and over-extended grant resources. The General Fund is liable for any deficits in these funds and will provide operating transfers when cash is required, not when accruals occur.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

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. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund. (N5)

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$759,277
Net Adjustment for Revenue Accruals	(115,767)
Net Adjustment for Expenditure Accruals	(332,781)
Encumbrances	<u>84,401</u>
Budget Basis	<u><u>\$395,130</u></u>

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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 7 - Deposits and Investments (Continued)

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.

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;
4. Bonds and other obligations 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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the School District's bank balance was \$9,138,338. \$2,563,243 was covered by Federal depository insurance; \$6,574,399 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 7 - Deposits and Investments (Continued)

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2017, the School District had the following investments as part of the internal investment pool:

	Fair Value	Maturity	S&P Rating	Percent of Total Investments
STAR Ohio	\$62	6 months or less	AAAm	0.003%
Federated Government Obligation	19,203	6 months or less		1%
Federal National Mortgage Association	500,000	7/28/2021	AAAm	24%
JP Morgan Chase Bank	248,000	9/30/2020		12%
Capital One Bank	247,000	8/5/2019		12%
BMW Bank North America	200,000	7/24/2019		10%
Ally Bank	250,000	1/28/2019		12%
American Express Bank	100,000	8/7/2017		5%
Discover Bank	245,000	8/7/2017 & 07/23/2018		12%
Sallie Mae Bank	249,950	9/11/2017		12%
	<u>2,059,215</u>			<u>100%</u>

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's investment policy addresses interest rate risk by requiring that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAm by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Warren Local School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 8 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 2017 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 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, public utility property and tangible personal property taxes which are measurable as of June 30, 2017, 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 of 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, 2017, was \$543,769 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2016, was \$436,646.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$249,111,140	94%	\$280,030,350	91%
Public Utility Personal	15,161,880	6%	29,091,730	9%
Total	<u>\$264,273,020</u>	<u>100%</u>	<u>\$309,122,080</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$34.22		\$33.30	

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 9 - Receivables

Receivables at June 30, 2017, 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 \$270,313 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:

	<u>Amounts</u>
Governmental Activities:	
Title II-A	\$18,267
Medicaid	5,764
High Schools that Work	3,603
Title I	203,095
Casino Revenue	57,849
Other	51,092
IDEA	<u>106,796</u>
Total Governmental Activities	<u><u>\$446,466</u></u>

Note 10 - 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 2017, 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 \$61,340,626 on buildings and contents. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Ohio School Plan with a \$2,000,000 single occurrence limit with a \$4,000,000 aggregate and no deductible. Vehicles are covered by The Ohio School Plan with a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision for buses. Automobile liability has a \$2,000,000 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 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 10 - Risk Management (Continued)

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.

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 \$391,103 at June 30, 2017, 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 Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2016	\$387,196	\$2,335,409	\$2,378,990	\$343,615
2017	343,615	3,029,732	2,982,244	391,103

Note 11 - 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 215 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 ten 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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 11 - Employee Benefits (Continued)

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

Note 12 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance <u>6/30/16</u>	Additions	Reductions	Balance <u>6/30/17</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$330,057	\$0	\$0	\$330,057
Construction in progress	5,743,300	410,592	0	6,153,892
Total capital assets not being depreciated	<u>6,073,357</u>	<u>410,592</u>	<u>0</u>	<u>6,483,949</u>
Capital assets being depreciated				
Buildings and Improvements	11,446,459	143,997	0	11,590,456
Furniture and Equipment	2,912,382	189,444	0	3,101,826
Vehicles	2,289,416	186,922	0	2,476,338
Total capital assets being depreciated	<u>16,648,257</u>	<u>520,363</u>	<u>0</u>	<u>17,168,620</u>
Accumulated depreciation				
Buildings and Improvements	(6,418,794)	(218,302)	0	(6,637,096)
Furniture and Equipment	(2,234,315)	(63,048)	0	(2,297,363)
Vehicles	(1,706,511)	(108,654)	0	(1,815,165)
Total accumulated depreciation	<u>(10,359,620)</u>	<u>(390,004) *</u>	<u>0</u>	<u>(10,749,624)</u>
Capital assets being depreciated, net	<u>6,288,637</u>	<u>130,359</u>	<u>0</u>	<u>6,418,996</u>
Governmental Activities capital assets, net	<u>\$12,361,994</u>	<u>\$540,951</u>	<u>\$0</u>	<u>\$12,902,945</u>
Business-Type Activity:				
Capital assets being depreciated				
Furniture and Fixtures	\$283,368	\$17,908	(\$7,259)	\$294,017
Less Accumulated Depreciation	(198,192)	(6,772)	7,259	(197,705)
Business-Type Activity capital assets, net	<u>\$85,176</u>	<u>\$11,136</u>	<u>\$0</u>	<u>\$96,312</u>

* Depreciation expense was charged to governmental functions as follows:

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 12 - Capital Assets (Continued)

Instruction:	
Regular	\$97,651
Special Instruction	32,320
Vocational	932
Support Services:	
Pupils	10,642
Instructional Staff	9,065
Administration	13,996
Fiscal	3,536
Operation and Maintenance of Plant	44,713
Pupil Transportation	133,177
Extracurricular Activities	43,972
Total Depreciation Expense	<u>\$390,004</u>

Note 13 - Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

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

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year 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.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$508,337 for fiscal year 2017. Of this amount \$98,437 is reported as an intergovernmental payable.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

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 retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and 2 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,237,894 for fiscal year 2017. Of this amount \$175,479 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, 2016, 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	Total
Proportionate Share of the Net Pension Liability			
Prior Measurement Date	0.097308%	0.077472%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.100062%	0.080288%	
Change in Proportionate Share	0.002754%	0.002817%	
Pension Expense	\$926,807	\$2,146,779	
			Total
Proportionate Share of the Net			
Pension Liability	\$7,323,593	\$26,721,242	\$34,044,835
Pension Expense	\$926,807	\$2,146,779	\$3,073,586

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$98,778	\$1,085,876	\$1,184,654
Changes in assumptions	488,890	0	488,890
Net difference between projected and actual earnings on pension plan investments	604,090	2,231,340	2,835,430
Change in proportionate share and difference between School District contributions and proportionate share of contributions.	376,714	629,956	1,006,670
School District contributions subsequent to the measurement date	508,337	1,237,894	1,746,231
Prior period adjustment made in current year	<u>(204,181)</u>	<u>0</u>	<u>(204,181)</u>
Total Deferred Outflows of Resources	<u>\$1,872,628</u>	<u>\$5,185,066</u>	<u>\$7,057,694</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$0	\$0	\$0
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions.	<u>0</u>	<u>153,669</u>	<u>153,669</u>
Total Deferred Inflows of Resources	<u>\$0</u>	<u>\$153,669</u>	<u>\$153,669</u>

\$1,746,231 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 year ending June 30, 2017. 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:			
2018	\$463,363	\$631,481	\$1,094,844
2019	462,927	631,482	1,094,409
2020	468,529	1,487,709	1,956,238
2021	<u>173,652</u>	<u>1,042,831</u>	<u>1,216,483</u>
Total	<u>\$1,568,471</u>	<u>\$3,793,503</u>	<u>\$5,361,974</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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

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, 2016, compared with June 30, 2015, are presented below:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 3 percent	4.00 percent to 22.00 percent 3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that 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.

For 2015, the mortality assumptions were 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.

The most recent experience study was completed 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 averaged 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.

Warren Local School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017*

Note 13 - Defined Benefit Pension Plans (Continued)

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$9,695,981	\$7,323,617	\$5,337,806

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 13 - Defined Benefit Pension Plans (Continued)

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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent, and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are excluded. 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, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 13 - Defined Benefit Pension Plans (Continued)

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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$35,714,573	\$26,874,911	\$19,418,135

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to Career Center's NPL is expected to be significant.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2017, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 14 - Postemployment Benefits

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 14 - Postemployment Benefits (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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 basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. 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 2017, the School District's surcharge obligation was \$45,029.

The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015, were \$45,029, \$0, and \$0, respectively. The full amount has been contributed for fiscal years 2017, 2016, and 2015.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio 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 Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, 2016 and 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

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Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2017

Note 15 - Long-Term Obligations

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

	Principal Outstanding 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
Net Pension Liability:					
STRS	\$21,410,904	\$5,310,338	\$0	\$26,721,242	\$0
SERS	<u>5,122,613</u>	<u>1,615,078</u>	<u>0</u>	<u>6,737,691</u>	<u>0</u>
Total Net Pension Liability	26,533,517	6,925,416	0	33,458,933	0
Capital Lease Payable	4,395,000	\$0	\$265,000	\$4,130,000	\$275,000
Sick Leave Benefits	<u>1,201,828</u>	<u>484,232</u>	<u>77,392</u>	<u>1,608,668</u>	<u>0</u>
Total Governmental Activities	<u>\$32,130,345</u>	<u>\$7,409,648</u>	<u>\$342,392</u>	<u>\$39,197,601</u>	<u>\$275,000</u>
Business-Type Activity:					
Net Pension Liability:					
SERS	\$429,876	\$156,026	\$0	\$585,902	\$0
Sick Leave Benefits	<u>18,762</u>	<u>6,278</u>	<u>0</u>	<u>25,040</u>	<u>0</u>
Total Business-Type Activity	<u>\$448,638</u>	<u>\$162,304</u>	<u>\$0</u>	<u>\$610,942</u>	<u>\$0</u>

The School District pays obligations related to employee compensation from the fund benefitting from their service.

The overall debt margin of the School District as of June 30, 2017, was \$27,754,149, with an unvoted debt margin of \$308,379.

Note 16 - Jointly Governed Organizations

A. META Solutions

The 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 Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. Meta Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eight of the member districts. Financial information can be obtained from David Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 16 - Jointly Governed Organizations (Continued)

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 29-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 29 Appalachian counties are divided; and three from Ohio University College of Education. 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 2017. Financial information can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 17 - 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 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.

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 18 - 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, 2017.

B. Litigation

The District is currently not party to legal proceedings.

C. School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 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 19 - 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.

	Capital Improvements Reserve
Set-aside Reserve Balance as of June 30, 2016	(\$4,518,710)
Current Year Set-aside Requirement	385,462
House Bill 30	0
Qualifying Disbursements	(671,211)
Total	<u>(\$4,804,459)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$4,804,459)</u>

Warren Local School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 20 – Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance account is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

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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 Four Fiscal Years (1) **

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.100062%	0.097308%	0.088689%	0.088689%
School District's Proportionate Share of the Net Pension Liability	\$7,323,593	\$5,552,489	\$4,924,702	\$4,488,500
School District's Covered-Employee Payroll	\$3,630,979	\$3,101,886	\$2,966,624	\$2,374,414
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	249.61%	179.00%	166.00%	189.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(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

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 Four Fiscal Years (1)

	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08028829%	0.07747167%	0.07838800%	0.07838800%
School District's Proportionate Share of the Net Pension Liability	\$26,721,242	\$21,410,904	\$18,843,791	\$19,066,779
School District's Covered-Employee Payroll	\$8,842,100	\$8,526,614	\$8,239,029	\$7,936,062
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	301.60%	251.11%	228.71%	240.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.80%	72.10%	74.70%	69.30%

(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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$508,337	\$434,264	\$391,001	\$306,192
Contributions in Relation to the Contractually Required Contribution	<u>(508,337)</u>	<u>(434,264)</u>	<u>(391,001)</u>	<u>(306,192)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$3,630,979	\$3,101,886	\$2,966,624	\$2,374,414
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.18%	12.90%

2013	2012	2011	2010	2009	2008	2007
\$282,785	\$277,161	\$220,130	\$242,398	\$202,092	\$192,223	\$265,521
(282,785)	(277,161)	(220,130)	(242,398)	(202,092)	(192,223)	(265,521)
\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$2,158,664	\$2,182,370	\$1,863,929	\$1,896,698	\$2,223,234	\$2,098,504	\$2,486,152
13.10%	12.70%	11.81%	12.78%	9.09%	9.16%	10.68%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$1,237,894	\$1,193,726	\$1,153,464	\$1,054,651
Contributions in Relation to the Contractually Required Contribution	<u>(1,237,894)</u>	<u>(1,193,726)</u>	<u>(1,153,464)</u>	<u>(1,054,651)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered-Employee Payroll	\$8,842,100	\$8,526,614	\$8,239,029	\$8,112,700
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,047,576	\$1,108,597	\$1,186,517	\$1,293,249	\$1,042,674	\$1,191,223	\$1,254,659
<u>(1,047,576)</u>	<u>(1,108,597)</u>	<u>(1,186,517)</u>	<u>(1,293,249)</u>	<u>(1,042,674)</u>	<u>(1,191,223)</u>	<u>(1,254,659)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,058,277	\$8,527,669	\$9,127,054	\$9,948,069	\$8,020,569	\$9,163,254	\$9,651,223
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Receipts	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2017	\$58,711	\$58,711
Cash Assistance:				
School Breakfast Program	10.553	2017	94,979	94,979
National School Lunch Program	10.555	2017	303,543	303,543
Cash Assistance Subtotal			<u>398,522</u>	<u>398,522</u>
Total Child Nutrition Cluster			457,233	457,233
State Administrative Expenses for Child Nutrition - Meal Patterns	10.560	2017	<u>600</u>	<u>600</u>
Total U.S. Department of Agriculture			<u>457,833</u>	<u>457,833</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	2016	72,994	43,031
		2017	<u>266,732</u>	<u>302,611</u>
Total Title I Grants to Local Educational Agencies			339,726	345,642
Special Education Cluster:				
Special Education Grants to States	84.027	2016	121,104	32,211
		2017	<u>349,172</u>	<u>382,913</u>
			470,276	415,124
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education Preschool Grants	84.173	2017	<u>10,347</u>	<u>10,347</u>
Total Special Education Cluster			480,623	425,471
<i>Passed Through Ohio Department of Education</i>				
Improving Teacher Quality State Grants	84.367	2016	18,535	10,295
		2017	<u>76,698</u>	<u>82,299</u>
Total Improving Teacher Quality State Grants			95,233	92,594
Total U.S. Department of Education			<u>915,582</u>	<u>863,707</u>
Total Expenditures of Federal Awards			<u>\$1,373,415</u>	<u>\$1,321,540</u>

The accompanying notes are an integral part of this Schedule.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Warren Local School District (the School District) under programs of the federal government for the year ended June 30, 2017. 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 assets, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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, the business-type activity, 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, 2017 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 1, 2018.

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) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE 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 the Major Federal Program

We have audited the Warren Local School District, 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 School District's major federal program for the year ended June 30, 2017. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal program.

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 program 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 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 program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2017.

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 the 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 1, 2018

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR PART 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program: <ul style="list-style-type: none"> • Child Nutrition Cluster – CFDA #'s 10.553 and 10.555 	
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

WARREN LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2018**