



OHIO AUDITOR OF STATE
KEITH FABER



**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 2019**

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**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Warren Local School District
Washington County
220 Sweetapple 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 activities, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the School District restated the June 30, 2018 Governmental Activities Net Position by \$35,693,610 from (\$4,994,244) to \$30,699,366 due to the omission of a receivable. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 23, 2020

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Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
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, 2019. 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 2019 are as follows:

- In total, net position increased \$2,838,286. Net position of governmental activities increased \$2,841,366, while the net position of the business-type activity decreased \$3,080.
- General revenues accounted for \$24,223,610 in revenue or 87% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$3,651,669 or 13% of total revenues of \$27,875,279.
- Total program expenses were \$25,883,121. \$25,033,913 in governmental activities and \$849,208 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 2019?" 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, 2019

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

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, 2019
 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 2019 compared to 2017.

(Table 1)
 Net Position

	Governmental Activities		Business-Type Activity		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	\$84,717,632	\$83,948,416	\$558,567	\$499,118	\$85,276,199	\$84,447,534
Capital Assets, Net	15,100,365	13,573,206	93,571	97,988	15,193,936	13,671,194
<i>Total Assets</i>	<i>99,817,997</i>	<i>97,521,622</i>	<i>652,138</i>	<i>597,106</i>	<i>100,470,135</i>	<i>98,118,728</i>
Deferred Outflows of Resources						
Pension and OPEB	6,368,767	8,114,443	97,683	165,295	6,466,450	8,279,738
Liabilities						
Current and Other Liabilities	4,419,426	3,258,160	73,291	82,219	4,492,717	3,340,379
Long-term Liabilities						
Due Within One Year	995,000	1,130,000	0	0	995,000	1,130,000
Due in More Than One Year						
Net Pension Liability	22,686,744	24,621,636	452,251	481,257	23,138,995	25,102,893
Net OPEB Liability	2,564,809	5,654,978	223,027	219,131	2,787,836	5,874,109
Other Amounts	28,635,963	29,456,288	16,963	13,774	28,652,926	29,470,062
<i>Total Liabilities</i>	<i>59,301,942</i>	<i>64,121,062</i>	<i>765,532</i>	<i>796,381</i>	<i>60,067,474</i>	<i>64,917,443</i>
Deferred Inflows of Resources						
Property Taxes	9,466,521	9,270,860	0	0	9,466,521	9,270,860
Pension and OPEB	3,877,569	1,544,777	45,006	23,657	3,922,575	1,568,434
<i>Total Deferred Inflows of Resources</i>	<i>13,344,090</i>	<i>10,815,637</i>	<i>45,006</i>	<i>23,657</i>	<i>13,389,096</i>	<i>10,839,294</i>
Net Position						
Invested in Capital Assets,						
Net of Related Debt	6,808,224	6,997,465	93,571	97,988	6,901,795	7,095,453
Restricted	62,177,544	63,993,906	0	0	62,177,544	63,993,906
Unrestricted	(35,445,036)	(40,292,005)	(154,288)	(155,625)	(35,599,324)	(40,447,630)
<i>Total Net Assets</i>	<i>\$33,540,732</i>	<i>\$30,699,366</i>	<i>(\$60,717)</i>	<i>(\$57,637)</i>	<i>\$33,480,015</i>	<i>\$30,641,729</i>

The largest impact on the District's financial statement in 2019 had absolutely no impact on the District's financial condition; GASB 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)" require the District to recognize a net position and OPEB liability of \$25,926,831. For reasons discussed below, this liability serves only to distort the true financial position of the District. Users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension/OPEB and the net pension/OPEB liability to the reported net position and subtracting deferred inflows related to pension/OPEB.

Warren Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Unaudited

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick 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 and OPEB benefits, contribution rates, and return on investments affect the balance of the net pension and OPEB liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension and OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension and OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

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

Total assets increased \$2,351,407, with governmental position increasing \$2,296,375 and business-type position increasing \$55,032.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
 Unaudited

Total liabilities decreased \$4,849,969, with governmental liabilities decreasing \$4,819,120 and business-type liabilities decreasing \$30,849.

Table 2 shows the changes in net position for the fiscal years ended June 30, 2019 compared to 2018.

(Table 2)
 Changes in Net Position

	Governmental Activities		Business-Type Activity		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$1,842,977	\$1,703,949	\$329,006	\$304,247	\$2,171,983	\$2,008,196
Operating Grants, Contributions and Interest	1,808,692	2,245,579	488,578	486,379	2,297,270	2,731,958
Capital Grants and Contributions	0	0	0	0	0	0
Total Program Revenues	<u>3,651,669</u>	<u>3,949,528</u>	<u>817,584</u>	<u>790,626</u>	<u>4,469,253</u>	<u>4,740,154</u>
General Revenues:						
Property Taxes	9,332,092	7,856,196	0	0	9,332,092	7,856,196
Grants and Entitlements	13,943,368	51,714,170	0	0	13,943,368	51,714,170
Interest	598,446	310,476	3,544	2,907	601,990	313,383
Miscellaneous	349,704	228,322	25,000	0	374,704	228,322
Total General Revenues	<u>24,223,610</u>	<u>60,109,164</u>	<u>28,544</u>	<u>2,907</u>	<u>24,252,154</u>	<u>60,112,071</u>
Total Revenues	<u>27,875,279</u>	<u>64,058,692</u>	<u>846,128</u>	<u>793,533</u>	<u>28,721,407</u>	<u>64,852,225</u>
Program Expenses						
Instruction:						
Regular	10,009,633	4,881,249	0	0	10,009,633	4,881,249
Special	3,103,700	2,035,321	0	0	3,103,700	2,035,321
Vocational	685,947	317,761	0	0	685,947	317,761
Support Services:						
Pupils	713,045	276,094	0	0	713,045	276,094
Instructional Staff	844,370	671,141	0	0	844,370	671,141
Board of Education	144,410	405,083	0	0	144,410	405,083
Administration	1,599,134	946,449	0	0	1,599,134	946,449
Fiscal	702,205	611,479	0	0	702,205	611,479
Business	33,712	9,341	0	0	33,712	9,341
Operation and Maintenance of Plant	3,265,097	1,807,837	0	0	3,265,097	1,807,837
Pupil Transportation	2,130,771	1,874,908			2,130,771	1,874,908
Operation of Non-Instructional Services	4,749	15,367	0	0	4,749	15,367
Extracurricular Activities	848,303	176,158	0	0	848,303	176,158
Interest and Fiscal Charges	948,837	725,616	0	0	948,837	725,616
Food Service	0	0	849,208	848,778	849,208	848,778
Total Expenses	<u>25,033,913</u>	<u>14,753,804</u>	<u>849,208</u>	<u>848,778</u>	<u>25,883,121</u>	<u>15,602,582</u>
Increase in Net Assets	<u>2,841,366</u>	<u>49,304,888</u>	<u>(3,080)</u>	<u>(55,245)</u>	<u>2,838,286</u>	<u>49,249,643</u>
Net Assets Beg of Year (Restated)	<u>30,699,366</u>	<u>(18,605,522)</u>	<u>(57,637)</u>	<u>(2,392)</u>	<u>30,641,729</u>	<u>(18,607,914)</u>
Net Assets End of Year	<u>\$33,540,732</u>	<u>\$30,699,366</u>	<u>(\$60,717)</u>	<u>(\$57,637)</u>	<u>\$33,480,015</u>	<u>\$30,641,729</u>

Warren Local School District, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2019

Unaudited

GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68 and 75, pension and OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense.

From fiscal year 2018 to fiscal year 2019, total revenues decreased \$36,130,818 while total expenses increased \$10,280,539. Revenues outpaced expenses by \$2,283,286.

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 34 percent of revenues for governmental activities for Warren Local School District. Of the remaining revenues, the School District receives 57 percent from state foundation, federal, and state grants; 6 percent from charges for services; and less than 3 percent from interest and local revenues.

Nearly 55 percent of the School District's budget is used to fund instructional expenses. Support services make up 38 percent of expenses and 7 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.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
 Unaudited

(Table 3)
 Governmental Activities

	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program Expenses				
Instruction:				
Regular	\$10,009,633	\$8,150,544	\$4,881,249	\$3,121,041
Special	3,103,700	1,832,130	2,035,321	460,603
Vocational	685,947	526,889	317,761	128,502
Support Services:				
Pupils	713,045	699,497	276,094	276,094
Instructional Staff	844,370	821,473	671,141	654,680
Board of Education	144,410	144,410	405,083	405,083
Administration	1,599,134	1,582,888	946,449	946,449
Fiscal	702,205	702,205	611,479	611,479
Business	33,712	33,712	9,341	9,341
Operation and Maintenance of Plant	3,265,097	3,265,097	1,807,837	1,807,837
Pupil Transportation	2,130,771	2,099,534	1,874,908	1,687,487
Central	0	0	0	0
Operation of Non-Instructional Services	4,749	4,749	15,367	15,367
Extracurricular Activities	848,303	570,279	176,158	(45,303)
Interest and Fiscal Charges	948,837	948,837	725,616	725,616
Total	\$25,033,913	\$21,382,244	\$14,753,804	\$10,804,276

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

Business-Type Activity

The business-type activity is the School District's food service operation. This program had total revenues of \$846,128 and total expenses of \$849,208 for fiscal year 2019. 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 \$32,406,206 and expenditures of \$29,402,902. The School District's General fund had a fund balance increase of \$39,698. The Building capital improvement fund had a fund balance decrease of \$395,759, the Ohio School Facilities capital improvement fund had a fund balance increase of \$3,517,724 and the Debt Service Fund had a fund balance decrease of \$425,995.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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 2019, 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 \$23,221,764, \$180,156 below final estimates of \$23,401,920. Expenditures of \$23,275,239 were lower than final appropriations of \$23,719,896. Final appropriations were increased \$444,421 from originals.

Capital Position

At the end of fiscal year 2019, the School District had \$15,193,936 invested in land, construction-in-progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2019 balances compared to 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$330,057	\$330,057	\$0	\$0	\$330,057	\$330,057
Construction in Progress	2,549,232	814,401	0	0	2,549,232	814,401
Buildings and Improvements	10,622,423	10,910,293	0	0	10,622,423	10,910,293
Furniture and Equipment	740,353	782,036	93,571	97,988	833,924	880,024
Vehicles	858,300	736,419	0	0	858,300	736,419
Totals	<u>\$15,100,365</u>	<u>\$13,573,206</u>	<u>\$93,571</u>	<u>\$97,988</u>	<u>\$15,193,936</u>	<u>\$13,671,194</u>

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

Debt Service

At June 30, 2019, the School District had \$27,565,845 in bonds and capital lease outstanding.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
Unaudited

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

	2018	2018
2017 School Facilities		
Construction and Improvement Bonds	\$23,990,845	\$24,906,340
Capital Leases	3,575,000	3,855,000
Totals	<u>\$27,565,845</u>	<u>\$28,761,340</u>

See Note 16 to the basic financial statements for more information on debt.

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 2019 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. On August 8, 2017, the School District issued School Facilities Construction and Improvement Bonds consisting of \$4,825,000 in serial bonds and \$18,175,000 in term bonds. The bonds will mature on December 1, 2047. These bonds were issued to finance the construction of a new high school, a new elementary school, renovations to the middle school and general site improvements.

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

Contacting the School District's Financial Management

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

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Warren Local School District, Ohio

Statement of Net Position

June 30, 2019

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$36,841,981	\$527,601	\$37,369,582
Cash and Cash Equivalents in Segregated Accounts	1,241	0	1,241
Restricted Cash and Cash Equivalents	55,915	0	55,915
Inventory Held for Resale	0	27,354	27,354
Materials and Supplies Inventory	269,138	3,612	272,750
Intergovernmental Receivable	35,800,653	0	35,800,653
Accounts Receivable	183	0	183
Property Taxes Receivable	10,470,621	0	10,470,621
Nondepreciable Capital Assets	2,879,289	0	2,879,289
Depreciable Capital Assets, Net	12,221,076	93,571	12,314,647
Net OPEB Asset	1,277,900	0	1,277,900
<i>Total Assets</i>	<u>99,817,997</u>	<u>652,138</u>	<u>100,470,135</u>
Deferred Outflows of Resources			
Pension and OPEB	<u>6,368,767</u>	<u>97,683</u>	<u>6,466,450</u>
Liabilities			
Accounts Payable	81,956	0	81,956
Accrued Wages and Benefits Payable	2,072,172	55,156	2,127,328
Contracts Payable	1,143,664	0	1,143,664
Retainage Payable	33,399	0	33,399
Vacation Benefits Payable	93,792	0	93,792
Matured Compensated Absences Payable	32,703	0	32,703
Intergovernmental Payable	508,406	18,135	526,541
Claims Payable	453,334	0	453,334
Long-Term Liabilities:			
Due Within One Year	995,000	0	995,000
Due In More Than One Year:			
Net Pension Liability	22,686,744	452,251	23,138,995
Net OPEB Liability	2,564,809	223,027	2,787,836
Other Amounts Due in More than One Year	<u>28,635,963</u>	<u>16,963</u>	<u>28,652,926</u>
<i>Total Liabilities</i>	<u>59,301,942</u>	<u>765,532</u>	<u>60,067,474</u>
Deferred Inflows of Resources			
Property Taxes	9,466,521	0	9,466,521
Pension and OPEB	<u>3,877,569</u>	<u>45,006</u>	<u>3,922,575</u>
<i>Total Deferred Inflows of Resources</i>	<u>13,344,090</u>	<u>45,006</u>	<u>13,389,096</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	6,808,224	93,571	6,901,795
Restricted for:			
Unclaimed Monies	14,080	0	14,080
Debt Service	2,706,768		2,706,768
Capital Outlay	58,519,360		58,519,360
Other Purposes	937,336	0	937,336
Unrestricted (Deficits)	(35,445,036)	(154,288)	(35,599,324)
<i>Total Net Position</i>	<u>\$33,540,732</u>	<u>(\$60,717)</u>	<u>\$33,480,015</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense)Revenue and Changes in Net Position		
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities							
Instruction:							
Regular	\$10,009,633	\$1,562,135	\$296,954	\$0	(\$8,150,544)	\$0	(\$8,150,544)
Special	3,103,700	51,164	1,220,406	0	(1,832,130)	0	(1,832,130)
Vocational	685,947	0	159,058	0	(526,889)	0	(526,889)
Support Services:							
Pupils	713,045	0	13,548	0	(699,497)	0	(699,497)
Instructional Staff	844,370	0	22,897	0	(821,473)	0	(821,473)
Board of Education	144,410	0	0	0	(144,410)	0	(144,410)
Administration	1,599,134	0	16,246	0	(1,582,888)	0	(1,582,888)
Fiscal	702,205	0	0	0	(702,205)	0	(702,205)
Business	33,712	0	0	0	(33,712)	0	(33,712)
Operation and Maintenance of Plant	3,265,097	0	0	0	(3,265,097)	0	(3,265,097)
Pupil Transportation	2,130,771	0	31,237	0	(2,099,534)	0	(2,099,534)
Operation of Non-Instructional Services	4,749	0	0	0	(4,749)	0	(4,749)
Extracurricular Activities	848,303	229,678	48,346	0	(570,279)	0	(570,279)
Interest and Fiscal Charges	948,837	0	0	0	(948,837)	0	(948,837)
<i>Total Governmental Activities</i>	<i>25,033,913</i>	<i>1,842,977</i>	<i>1,808,692</i>	<i>0</i>	<i>(21,382,244)</i>	<i>0</i>	<i>(21,382,244)</i>
Business-Type Activity							
Food Service	849,208	329,006	488,578	0	0	(31,624)	(31,624)
<i>Totals</i>	<i>\$25,883,121</i>	<i>\$2,171,983</i>	<i>\$2,297,270</i>	<i>\$0</i>	<i>(21,382,244)</i>	<i>(31,624)</i>	<i>(21,413,868)</i>
General Revenues							
Property Taxes Levied for General Purposes				9,332,092	0	9,332,092	
Grants and Entitlements not Restricted to Specific Programs				13,943,368	0	13,943,368	
Interest				598,446	3,544	601,990	
Miscellaneous				349,704	25,000	374,704	
<i>Total General Revenues</i>				<i>24,223,610</i>	<i>28,544</i>	<i>24,252,154</i>	
<i>Change in Net Position</i>				2,841,366	(3,080)	2,838,286	
<i>Net Position (Deficit) Beginning of Year (Restated. See Note 3)</i>				<i>30,699,366</i>	<i>(57,637)</i>	<i>30,641,729</i>	
<i>Net Position (Deficit) End of Year</i>				<i>\$33,540,732</i>	<i>(\$60,717)</i>	<i>\$33,480,015</i>	

See accompanying notes to the basic financial statements

Warren Local School District, Ohio

*Balance Sheet
Governmental Funds
June 30, 2019*

	General	Debt Service Fund	Building Fund	Ohio School Facilities Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$8,503,399	\$1,328,631	\$7,508,940	\$17,950,724	\$732,625	\$36,024,319
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	1,241	1,241
Receivables:						
Property Taxes	8,587,489	1,720,517	0	0	162,615	10,470,621
Accounts	183	0	0	0	0	183
Intergovernmental	105,669	0	0	35,158,959	536,025	35,800,653
Materials and Supplies Inventory	269,138	0	0	0	0	269,138
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	14,080	0	0	41,835	0	55,915
<i>Total Assets</i>	\$17,479,958	\$3,049,148	\$7,508,940	\$53,151,518	\$1,432,506	\$82,622,070
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$59,510	\$0	\$0	\$0	\$22,446	\$81,956
Accrued Wages and Benefits Payable	1,966,719	0	0	0	105,453	2,072,172
Contracts Payable	0	0	37,465	1,106,199	0	1,143,664
Retainage Payable	0	0	0	33,399	0	33,399
Intergovernmental Payable	497,023	0	0	0	11,383	508,406
Matured Compensated Absences Payable	32,703	0	0	0	0	32,703
<i>Total Liabilities</i>	2,555,955	0	37,465	1,139,598	139,282	3,872,300
Deferred Inflows of Revenues						
Property Taxes not Levied to Finance Current Year Operations	\$8,270,970	\$1,671,764	\$0	\$0	\$156,830	\$10,099,564
Unavailable Revenue	0	0	0	30,526,363	212,861	30,739,224
<i>Total Deferred Inflows of Revenues</i>	8,270,970	1,671,764	0	30,526,363	369,691	40,838,788
Fund Balances						
Nonspendable	269,138	0	0	0	0	269,138
Restricted	14,080	1,377,384	7,471,475	21,485,557	372,590	30,721,086
Committed	294,013	0	0	0	0	294,013
Assigned	64,050	0	0	0	639,589	703,639
Unassigned	6,011,752	0	0	0	(88,646)	5,923,106
<i>Total Fund Balances</i>	6,653,033	1,377,384	7,471,475	21,485,557	923,533	37,910,982
<i>Total Liabilities, Deferred Inflows of Revenues and Fund Balances</i>	\$17,479,958	\$3,049,148	\$7,508,940	\$53,151,518	\$1,432,506	\$82,622,070

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, 2019*

Total Governmental Fund Balances	\$37,910,982
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Amounts reported for governmental activities in the statement of net position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,100,365
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	633,043
Grants	<u>30,739,224</u>
	31,372,267

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.	364,328
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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.	(93,792)
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The net pension liability and net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:

Net OPEB Asset	1,277,900
Deferred Outflows - Pension	6,097,649
Deferred Inflows - Pension	(1,592,810)
Net Pension Liability	(22,686,744)
Deferred Outflows - OPEB	271,118
Deferred Inflows - OPEB	(2,284,759)
Net OPEB Liability	<u>(2,564,809)</u>
	(21,482,455)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Capital Lease Payable	(3,575,000)
School Facilities Construction and Improvement Bonds Payable	<u>(23,990,845)</u>
	(27,565,845)

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>(2,065,118)</u>
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Net Position of Governmental Activities

	<u>\$33,540,732</u>
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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, 2019

	General	Debt Service Fund	Building Fund	Ohio School Facilities Funds	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$7,553,738	\$1,329,079	\$0	\$0	\$157,474	\$9,040,291
Intergovernmental	13,976,084	41,387	0	5,619,124	1,087,568	20,724,163
Interest	43,943	4,363	168,474	328,393	53,510	598,683
Tuition and Fees	1,613,299	0	0	0	0	1,613,299
Extracurricular Activities	55,806	0	0	0	173,635	229,441
Gifts and Donations	2,791	0	0	0	55,913	58,704
Miscellaneous	127,829	0	0	0	13,796	141,625
<i>Total Revenues</i>	<i>23,373,490</i>	<i>1,374,829</i>	<i>168,474</i>	<i>5,947,517</i>	<i>1,541,896</i>	<i>32,406,206</i>
Expenditures						
Current:						
Instruction:						
Regular	11,044,881	0	0	0	75,900	11,120,781
Special	2,534,016	0	0	0	827,536	3,361,552
Vocational	790,475	0	0	0	3,636	794,111
Support Services:						
Pupils	719,412	0	0	0	69,648	789,060
Instructional Staff	796,495	0	0	0	40,023	836,518
Board of Education	144,410	0	0	0	0	144,410
Administration	1,640,174	0	0	0	0	1,640,174
Fiscal	639,735	28,624	0	0	3,397	671,756
Business	3,430	0	0	0	0	3,430
Operation and Maintenance of Plant	1,889,915	0	0	0	11,210	1,901,125
Pupil Transportation	2,173,308	0	0	0	5,070	2,178,378
Central	31,448	0	0	0	0	31,448
Operation of Non-Instructional Services	0	0	0	0	2,109	2,109
Extracurricular Activities	537,416	0	0	0	232,276	769,692
Capital Outlay	0	0	115,029	2,878,997	20,000	3,014,026
Debt Service:						
Principal Payments	280,000	850,000	0	0	0	1,130,000
Interest	92,132	922,200	0	0	0	1,014,332
<i>Total Expenditures</i>	<i>23,317,247</i>	<i>1,800,824</i>	<i>115,029</i>	<i>2,878,997</i>	<i>1,290,805</i>	<i>29,402,902</i>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<i>56,243</i>	<i>(425,995)</i>	<i>53,445</i>	<i>3,068,520</i>	<i>251,091</i>	<i>3,003,304</i>
Other Financing Sources						
Transfers In	0	0	0	449,204	0	449,204
Proceeds from Sale of Capital Assets	1,400	0	0	0	0	1,400
Other Insurance Proceeds	4,663	0	0	0	0	4,663
Transfers Out	(22,608)	0	(449,204)	0	0	(471,812)
<i>Total Other Financing Sources</i>	<i>(16,545)</i>	<i>0</i>	<i>(449,204)</i>	<i>449,204</i>	<i>0</i>	<i>(16,545)</i>
<i>Net Change in Fund Balance</i>	<i>39,698</i>	<i>(425,995)</i>	<i>(395,759)</i>	<i>3,517,724</i>	<i>251,091</i>	<i>2,986,759</i>
<i>Fund Balances Beginning of Year</i>	<i>6,613,335</i>	<i>1,803,379</i>	<i>7,867,234</i>	<i>17,967,833</i>	<i>672,442</i>	<i>34,924,223</i>
<i>Fund Balances End of Year</i>	<i>\$6,653,033</i>	<i>\$1,377,384</i>	<i>\$7,471,475</i>	<i>\$21,485,557</i>	<i>\$923,533</i>	<i>\$37,910,982</i>

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, 2019*

Net Change in Fund Balances - Total Governmental Funds	\$2,986,759
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*Amounts reported for governmental activities in the statement of activities
are different because*

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

Capital Asset Additions	1,973,066	
Depreciation Expense	<u>(445,907)</u>	1,527,159

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

Delinquent Taxes	291,801	
Grants	<u>(5,041,596)</u>	(4,749,795)

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

Pension	1,728,441	
OPEB	<u>75,295</u>	1,803,736

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

Pension	(2,237,523)	
OPEB	<u>2,658,279</u>	420,756

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

280,000

Repayment of general obligation bonds principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position

850,000

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

65,495

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	(21,836)	
Sick Leave Benefits Payable	<u>(240,170)</u>	(262,006)

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 revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities

(80,738)

Change in Net Position of Governmental Activities

\$2,841,366

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, 2019*

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Taxes	\$7,267,906	\$7,508,906	\$7,501,920	(\$6,986)
Intergovernmental	14,012,482	14,042,412	13,936,983	(105,429)
Interest	30,500	42,500	43,943	1,443
Tuition and Fees	1,449,402	1,660,402	1,613,299	(47,103)
Miscellaneous	118,800	147,700	125,619	(22,081)
<i>Total Revenues</i>	<u>22,879,090</u>	<u>23,401,920</u>	<u>23,221,764</u>	<u>(180,156)</u>
Expenditures				
Current:				
Instruction:				
Regular	11,142,264	11,468,365	11,036,327	432,038
Special	2,401,320	2,373,440	2,556,736	(183,296)
Vocational	704,261	719,574	799,901	(80,327)
Intervention	7,012	7,012	12,364	(5,352)
Support Services:				
Pupils	714,155	714,155	715,276	(1,121)
Instructional Staff	702,873	786,535	800,910	(14,375)
Board of Education	106,195	106,195	119,551	(13,356)
Administration	1,684,622	1,688,477	1,624,958	63,519
Fiscal	597,540	597,540	624,048	(26,508)
Business	8,241	8,241	4,124	4,117
Operation and Maintenance of Plant	1,944,861	1,946,141	1,843,349	102,792
Pupil Transportation	2,338,350	2,380,440	2,191,168	189,272
Central	31,165	37,165	34,643	2,522
Extracurricular Activities	504,911	498,911	534,179	(35,268)
Capital Outlay	10,573	10,573	5,573	5,000
Debt Service:				
Principal Retirement	285,000	285,000	280,000	5,000
Interest and Fiscal Charges	92,132	92,132	92,132	0
<i>Total Expenditures</i>	<u>23,275,475</u>	<u>23,719,896</u>	<u>23,275,239</u>	<u>444,657</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(396,385)</u>	<u>(317,976)</u>	<u>(53,475)</u>	<u>264,501</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	2,000	2,000	1,400	(600)
Refund of Prior Year Expenditures	18,000	68,000	60,899	(7,101)
Other Financing Uses	0	0	0	0
Insurance Recoveries	6,000	6,000	4,663	(1,337)
Transfers In	200,000	200,000	0	(200,000)
Transfers Out	(200,000)	(125,000)	(22,608)	102,392
<i>Total Other Financing Sources (Uses)</i>	<u>26,000</u>	<u>151,000</u>	<u>44,354</u>	<u>(106,646)</u>
<i>Net Change in Fund Balance</i>	<u>(370,385)</u>	<u>(166,976)</u>	<u>(9,121)</u>	<u>157,855</u>
<i>Fund Balance Beginning of Year</i>	<u>8,359,410</u>	<u>8,359,410</u>	<u>8,359,410</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>114,284</u>	<u>114,284</u>	<u>114,284</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,103,309</u></u>	<u><u>\$8,306,718</u></u>	<u><u>\$8,464,573</u></u>	<u><u>\$157,855</u></u>

See accompanying notes to the basic financial statement:

Warren Local School District, Ohio

Statement of Net Position

Proprietary Funds

June 30, 2019

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	Food Service Enterprise Fund	Medical, Dental and Prescription Insurance Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$527,601	\$817,662
Inventory Held for Resale	27,354	0
Materials and Supplies Inventory	<u>3,612</u>	<u>0</u>
<i>Total Current Assets</i>	<i>558,567</i>	<i>817,662</i>
Noncurrent Assets:		
Depreciable Capital Assets, net	93,571	0
<i>Total Assets</i>	<i>652,138</i>	<i>817,662</i>
Deferred Outflows of Resources		
Pension and OPEB	<u>97,683</u>	<u>0</u>
Liabilities		
Current Liabilities:		
Accrued Wages and Benefits Payable	55,156	0
Intergovernmental Payable	18,135	0
Claims Payable	<u>0</u>	<u>453,334</u>
<i>Total Current Liabilities</i>	<i>73,291</i>	<i>453,334</i>
Long-Term Liabilities		
Sick Leave Benefits Payable	16,963	0
Net Pension Liability	452,251	0
Net OPEB Liability	<u>223,027</u>	<u>0</u>
<i>Total Long-Term Liabilities</i>	<i>692,241</i>	<i>0</i>
<i>Total Liabilities</i>	<i>765,532</i>	<i>453,334</i>
Deferred Inflows of Resources		
Pension and OPEB	<u>45,006</u>	<u>0</u>
Net Position		
Invested in Capital Assets	93,571	0
Unrestricted	<u>(154,288)</u>	<u>364,328</u>
<i>Total Net Position</i>	<i>(\$60,717)</i>	<i>\$364,328</i>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
*Statement of Revenues,
 Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2019*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Medical and Dental Insurance Internal Service Fund
Operating Revenues		
Sales	\$329,006	\$0
Charges for Services	0	4,349,262
<i>Total Operating Revenues</i>	<u>329,006</u>	<u>4,349,262</u>
Operating Expenses		
Salaries	290,279	0
Fringe Benefits	208,901	0
Purchased Services	9,612	635,463
Materials and Supplies	31,295	0
Cost of Sales	298,800	0
Depreciation	7,321	0
Capital Outlay	3,000	0
Claims	0	3,830,515
<i>Total Operating Expenses</i>	<u>849,208</u>	<u>4,465,978</u>
<i>Operating Income/(Loss)</i>	<u>(520,202)</u>	<u>(116,716)</u>
Non-Operating Revenues		
Federal Donated Commodities	67,489	0
Interest	3,544	13,370
Proceeds from Insurance Proceeds	25,000	0
Federal and State Subsidies	421,089	0
<i>Total Non-Operating Revenues</i>	<u>517,122</u>	<u>13,370</u>
<i>Income/(Loss) Before Transfers</i>	(3,080)	(103,346)
Transfers In	0	22,608
<i>Net Change in Net Position</i>	(3,080)	(80,738)
<i>Net Position Beginning of Year</i>	<u>(57,637)</u>	<u>445,066</u>
<i>Net Position End of Year</i>	<u>(\$60,717)</u>	<u>\$364,328</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2019

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Medical & Dental Insurance Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$329,005	\$0
Cash Received from Transactions with Other Funds	0	4,349,262
Cash Payments to Suppliers for Goods and Services	(294,554)	(635,463)
Cash Payments for Employee Services	(288,125)	0
Cash Payments for Employee Benefits	(152,929)	0
Cash Payments for Claims	0	(3,828,073)
Net Cash Provided by (Used for) Operating Activities	<u>(406,603)</u>	<u>(114,274)</u>
Cash Flows from Noncapital Financing Activities		
Transfers from Other Funds	0	22,608
Operating Grants Received	<u>421,089</u>	<u>0</u>
Net Cash Provided by Financing Activities Activities	421,089	22,608
Cash Flows used for Capital Financing Activities		
Cash Received for Insurance Proceeds	25,000	0
Payments for Capital Acquisitions	<u>(2,918)</u>	<u>0</u>
Net Cash Received by Financing Actifivies	22,082	0
Cash Flows from Investing Activities		
Interest	<u>3,544</u>	<u>13,370</u>
<i>Net Increase in Cash and Cash Equivalents</i>	40,112	(78,296)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>487,489</u>	<u>895,958</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$527,601</u>	<u>\$817,662</u>
Reconciliation of Operating Loss or Gain to Net Cash Used for Operating Activities		
Operating (Loss) Gain	<u>(\$520,202)</u>	<u>(\$116,716)</u>
Depreciation	7,321	0
Donated Commodities Received During Year	67,489	0
Changes in Assets and Liabilities:		
Increase in Inventory Held for Resale	(17,694)	0
Increase in Materials and Supplies Inventory	(1,643)	0
Decrease in Deferred Outflows - Pension	115,817	0
Increase in Deferred Outflows - OPEB	(22)	0
Decrease in Accrued Wages and Benefits Payable	(2,925)	0
Increase in Compensated Absences Payable	3,189	0
Increase in Intergovernmental Payable	(6,003)	0
Decrease in Deferred Inflows Pension	(35,591)	0
Decrease in Deferred Inflows OPEB	(9,806)	0
Decrease in Net Pension Liability	(20,064)	0
Increase in OPEB Liability	13,531	0
Increase in Claims Payable	0	2,442
Net Cash Provided by (Used for) Operating Activities	<u>(\$406,603)</u>	<u>(\$114,274)</u>

Non-Cash Non-Capital Financing Transactions: During fiscal year 2019, the Food Service Enterprise Fund received \$67,489 in donated commodities.

Warren Local School District, Ohio

Statement of Fund Net Position

Agency Fund

June 30, 2019

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$89,251</u>
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Liabilities

Due to Students	<u>\$89,251</u>
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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, 2019

Private Purpose
Trust
Tracy
Scholarship

Additions

Gifts and Contributions	\$5,000
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Deductions

Scholarships Awarded	<u>5,000</u>
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<i>Change in Net Position</i>	0
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<i>Net Position Beginning of Year</i>	<u>0</u>
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<i>Net Position End of Year</i>	<u><u>\$0</u></u>
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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, 2019

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 2,140 students. The School District currently operates six instructional/support facilities.

Reporting Entity

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

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

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are Metropolitan Educational Technology Association (META), the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 reports the following major funds:

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.

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

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

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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 60 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 District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the District, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 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 District, unavailable revenue includes delinquent property taxes, intergovernmental revenues and miscellaneous revenues. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities found on page 18. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2019, the District was invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2019 amounted to \$53,273, which includes \$52,365 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.

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, 2019, 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, 2019.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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	10 – 20 years

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unclaimed monies, and amounts required by statute to be set-aside by the School District for capital improvements. See Note 20 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefit.

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

N. Fund Balance

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

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

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

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

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

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

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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/Other Postemployment Benefits (OPEB)

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

S. Budgetary Process

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level.

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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.

T. Operating Revenues and Expenses

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

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

For fiscal year 2019, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period,

For fiscal year 2019, the School District also implemented the Governmental Accounting Standards Board's (GASB) Implementation Guide No. 2017-2. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the School District's 2019 financial statements; however, there was no effect on beginning net position.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the District's 2019 financial statements; however, there was no effect on beginning net position.

For fiscal year 2018, the School District made a correction to the Governmental Activities net position as reported June 30, 2018 to report the intergovernmental receivable related to the Ohio Facilities Construction Commission non-reimbursable grant. This correction had the following effect on net position as reported June 30, 2018:

Net Position June 30, 2018	(\$4,994,244)
<hr/>	
Adjustments:	
OFCC Intergovernmental Receivable	<u>35,693,610</u>
Restated Net Position June 30, 2018	<u><u>\$30,699,366</u></u>

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

Warren Local School District, Ohio
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For the Fiscal Year Ended June 30, 2019

governmental funds are presented below:

Fund Balances	General	Debt Service Fund	Building Project Fund	School Facilities Fund	Other Governmental Funds	Total
<u>Nonspendable:</u>						
Materials and Supplies Inventory	\$269,138	\$0	\$0	\$0	\$0	\$269,138
<u>Restricted for:</u>						
Community Involvement	0	0	0	0	12,197	12,197
Athletics and Music	0	0	0	0	8,036	8,036
Technology	0	0	0	0	18,723	18,723
Special Needs Children	0	0	0	0	50,023	50,023
Teacher Development	0	0	0	0	26,593	26,593
Classroom Facilities		0	0	0	257,018	257,018
Debt Service	0	1,377,384	0	0	0	1,377,384
Capital Improvements	0	0	7,471,475	21,485,557	0	28,957,032
Unclaimed Monies	14,080	0	0	0	0	14,080
<i>Total Restricted</i>	<i>14,080</i>	<i>1,377,384</i>	<i>7,471,475</i>	<i>21,485,557</i>	<i>372,590</i>	<i>30,721,086</i>
<u>Committed to:</u>						
Capital Improvements	11,000	0	0	0	0	11,000
Compensated Absences	283,013	0	0	0	0	283,013
<i>Total Committed</i>	<i>294,013</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>294,013</i>
<u>Assigned to:</u>						
Capital Improvements	0	0	0	0	639,589	639,589
Other Purposes	64,050	0	0	0	0	64,050
<i>Total Assigned</i>	<i>64,050</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>639,589</i>	<i>703,639</i>
Unassigned:	6,011,752	0	0	0	(88,646)	5,923,106
<i>Total Fund Balances</i>	<i>\$6,653,033</i>	<i>\$1,377,384</i>	<i>\$7,471,475</i>	<i>\$21,485,557</i>	<i>\$923,533</i>	<i>\$37,910,982</i>

Note 5 - Fund Deficits

At June 30, 2019, the following funds had deficit fund balances:

	Deficit
Title VIB	(\$58,684)
Title IIA	(3,594)

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.

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:

Warren Local School District, Ohio
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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	\$39,698
Net Adjustment for Revenue Accruals	(90,827)
Net Adjustment for Expenditure Accruals	(10,929)
Encumbrances	<u>52,937</u>
Budget Basis	<u><u>(\$9,121)</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.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

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

Investments As of June 30, 2019, the School District had the following investments as part of the internal investment pool:

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	Fair Value	Maturity	S&P Rating	Percent of Total Investments
STAROhio	\$62	6 months or less	AAAm	0.0%
First American Treasury Obligation	2,159,854	6 months or less		8.3%
Federated Government Obligation	31,999	6 months or less		0.1%
Federal National Mortgage Association	500,000	7/28/2021	AAAm	1.9%
Federal Home Loan Banks	480,000	9/27/2018		1.9%
Certificates of Deposits - various banks	4,331,191	various		16.7%
Commercial Paper - various banks	13,069,087	1/17/2020	A-1 / A-1+	50.5%
US Treasury	5,309,481	2/15/2020	AA+/A-1+	20.5%
	<u>25,881,674</u>			<u>100%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the District's recurring fair value measurements as of June 30, 2019. The District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

Interest Rate Risk Interest rate risk is the risk, that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less. Commercial paper must mature within 270 days.

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

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

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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
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Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real property taxes received in calendar year 2019 became a lien December 31, 2016, were levied after April 1, 2018 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, 2019, are available to finance fiscal year 2019 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, 2019, 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, 2019, was \$371,057 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2018, was \$314,292. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second-Half Collections		2019 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential				
And Other Real Estate	\$280,109,070	90%	\$281,990,280	89%
Public Utility Personal	31,485,780	10%	34,282,450	11%
Total	<u>\$311,594,850</u>	<u>100%</u>	<u>\$316,272,730</u>	<u>100%</u>
Tax Rate per \$1,000 of assessed valuation	\$38.25		\$38.39	

Note 9 - Transfers

During fiscal year 2019, the School District transferred \$22,608 from the General Fund to the Self Insurance Dental Fund to cover a deficit in the fund. The School District also transferred \$449,204 from the Building Fund to the Ohio School Facilities Fund as required under the amendment to the construction project approved by the Board on March 15, 2019.

Note 10 - Receivables

Receivables at June 30, 2019, 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

Warren Local School District, Ohio
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the amount of \$341,242 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	\$14,926
Ohio Facilities Construction Commission	35,158,959
Medicaid	46,101
High Schools that Work	6,295
Title I	442,512
Casino Revenue	59,568
Other	30,785
IDEA	41,507
Total Governmental Activities	<u>\$35,800,653</u>

Note 11 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, 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 \$62,711,488 on buildings and contents. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Ohio School Plan with a \$3,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by The Ohio School Plan with a \$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 2019, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Warren Local School District, Ohio
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C. Employee Medical, Dental and Prescription Benefits

Medical insurance is offered to employees through a self-insurance internal service fund. UMR, Inc., the third party administrator for medical reviews and processes the claims. Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc, the third party administrator for dental, and Express Scripts, the third party administrator for prescriptions, reviews and processes the claims which the School District then pays. The self-insurance internal service funds allocate the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service funds. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$453,334 at June 30, 2019, 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
2018	\$391,103	\$3,536,953	\$3,477,164	\$450,892
2019	450,892	3,832,957	3,830,515	453,334

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation days must be used by most employees in the fiscal year following the fiscal year in which the benefit was earned. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for classified employees and 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.

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 6/30/18	Additions	Reductions	Balance 6/30/19
Governmental Activities:				
Capital assets not being depreciated				
Land	\$330,057	\$0	\$0	\$330,057
Construction in progress	814,401	1,734,831	0	2,549,232
Total capital assets not being depreciated	<u>1,144,458</u>	<u>1,734,831</u>	<u>0</u>	<u>2,879,289</u>
Capital assets being depreciated				
Buildings and Improvements	17,771,057	6,895	0	17,777,952
Furniture and Equipment	3,141,631	19,410	0	3,161,041
Vehicles	2,595,590	211,930	0	2,807,520
Total capital assets being depreciated	<u>23,508,278</u>	<u>238,235</u>	<u>0</u>	<u>23,746,513</u>
Accumulated depreciation				
Buildings and Improvements	(6,860,764)	(294,765)	0	(7,155,529)
Furniture and Equipment	(2,359,595)	(61,093)	0	(2,420,688)
Vehicles	(1,859,171)	(90,049)	0	(1,949,220)
Total accumulated depreciation	<u>(11,079,530)</u>	<u>(445,907) *</u>	<u>0</u>	<u>(11,525,437)</u>
Capital assets being depreciated, net	<u>12,428,748</u>	<u>(207,672)</u>	<u>0</u>	<u>12,221,076</u>
Governmental Activities capital assets, net	<u><u>\$13,573,206</u></u>	<u><u>\$1,527,159</u></u>	<u><u>\$0</u></u>	<u><u>\$15,100,365</u></u>
Business-Type Activity:				
Capital assets being depreciated				
Furniture and Fixtures	\$302,712	\$2,904	\$0	\$305,616
Less Accumulated Depreciation	(204,724)	(7,321)	0	(212,045)
Business-Type Activity capital assets, net	<u><u>\$97,988</u></u>	<u><u>(\$4,417)</u></u>	<u><u>\$0</u></u>	<u><u>\$93,571</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$121,669
Special Instruction	46,982
Vocational	10,952
Support Services:	
Pupils	13,363
Instructional Staff	10,365
Administration	19,227
Fiscal	4,435
Operation and Maintenance of Plant	48,583
Pupil Transportation	123,730
Extracurricular Activities	46,601
Total Depreciation Expense	<u><u>\$445,907</u></u>

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Defined Benefit Pension Plans

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

A. Net Pension Liability/Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, 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

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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 years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$475,246 for fiscal year 2019. Of this amount, \$94,154 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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.

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The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 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 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

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

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

The School District's contractually required contribution to STRS was \$1,291,231 for fiscal year 2019. Of this amount, \$184,170 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, 2018, 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:

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	SERS	STRS	
Proportion of the Net Pension Liability Prior Measurement Date	0.10068190%	0.08035024%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.09870700%</u>	<u>0.07952587%</u>	
Change in Proportionate Share	<u>-0.00197490%</u>	<u>-0.00082437%</u>	
			Total
Proportionate Share of the Net Pension Liability	\$5,653,041	\$17,485,954	\$23,138,995
Pension Expense	\$581,047	\$1,754,658	\$2,335,705

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$310,039	\$403,630	\$713,669
Changes of assumptions	127,659	3,098,841	3,226,500
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	65,334	412,961	478,295
School District contributions subsequent to the measurement date	<u>475,246</u>	<u>1,291,231</u>	<u>1,766,477</u>
Total Deferred Outflows of Resources	<u>\$978,278</u>	<u>\$5,206,663</u>	<u>\$6,184,941</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$114,193	\$114,193
Net difference between projected and actual earnings on pension plan investments	156,631	1,060,329	1,216,960
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>86,711</u>	<u>194,413</u>	<u>281,124</u>
Total Deferred Inflows of Resources	<u>\$243,342</u>	<u>\$1,368,935</u>	<u>\$1,612,277</u>

\$1,766,477 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$415,267	\$1,574,633	\$1,989,900
2021	77,980	1,134,466	1,212,446
2022	(185,521)	100,042	(85,479)
2023	<u>(48,036)</u>	<u>(262,644)</u>	<u>(310,680)</u>
Total	<u>\$259,690</u>	<u>\$2,546,497</u>	<u>\$2,806,187</u>

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Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	10.00	3.00
Total	<u>100.00%</u>	

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

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

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,962,864	\$5,653,041	\$3,716,578

Actuarial Assumptions - STRS

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

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

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

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	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$25,535,933	\$17,485,954	\$10,672,738

Note 15 - Postemployment Benefits

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

Plan Description - School Employees Retirement System (SERS)

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

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$64,240.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$81,842 for fiscal year 2019. Of this amount, \$67,727 is reported as an intergovernmental payable.

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Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

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

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	
Proportion of the Net OPEB Liability Prior Measurement Date	0.10206430%	0.08035024%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.10048900%</u>	<u>0.07952587%</u>	
Change in Proportionate Share	<u>-0.00157530%</u>	<u>-0.00082437%</u>	
			<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,787,836	(\$1,277,900)	\$1,509,936
OPEB Expense	\$127,122	(\$2,776,156)	(\$2,649,034)

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$45,507	\$149,261	\$194,768
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	2,532	0	2,532
School District contributions subsequent to the measurement date	<u>81,842</u>	<u>2,367</u>	<u>84,209</u>
Total Deferred Outflows of Resources	<u><u>\$129,881</u></u>	<u><u>\$151,628</u></u>	<u><u>\$281,509</u></u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$74,455	\$74,455
Changes of assumptions	\$250,466	\$1,741,239	\$1,991,705
Net difference between projected and actual earnings on OPEB plan investments	4,183	145,989	150,172
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>64,588</u>	<u>29,378</u>	<u>93,966</u>
Total Deferred Inflows of Resources	<u><u>\$319,237</u></u>	<u><u>\$1,991,061</u></u>	<u><u>\$2,310,298</u></u>

\$84,209 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2020	(\$112,436)	(\$328,916)	(\$441,352)
2021	(90,526)	(328,916)	(419,442)
2022	(21,150)	(328,917)	(350,067)
2023	(19,370)	(295,762)	(315,132)
2024	(19,659)	(284,125)	(303,784)
2025	<u>(8,057)</u>	<u>(272,797)</u>	<u>(280,854)</u>
Total	<u><u>(\$271,198)</u></u>	<u><u>(\$1,839,433)</u></u>	<u><u>(\$2,110,631)</u></u>

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each

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year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	Current		
	1% Decrease (2.70%)	Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$3,382,820	\$2,787,836	\$2,316,721
	1% Decrease (6.25 % decreasing to 3.75 %)	Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$2,249,272	\$2,787,836	\$1,367,383

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 percent ultimate
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of 7.45 percent based on the methodology defined under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	Current		
	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB liability	(\$1,095,280)	(\$1,277,900)	(\$1,431,383)

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	(\$1,422,719)	(\$1,277,900)	(\$1,130,824)

Note 16 - Long-Term Obligations

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

	Restated Principal Outstanding 6/30/18	Additions	Reductions	Principal Outstanding 6/30/19	Amounts Due in One Year
Governmental Activities:					
2017 School Facilities					
Construction and Improvement Bonds:					
Serial Bonds - 2-4%	\$4,825,000	\$0	\$850,000	\$3,975,000	\$710,000
Term Bonds - 4-5%	18,175,000	0	0	18,175,000	0
Premium	1,906,340	0	65,495	1,840,845	0
Total Bonds	<u>24,906,340</u>	<u>0</u>	<u>915,495</u>	<u>23,990,845</u>	<u>710,000</u>
Capital Leases	<u>3,855,000</u>	<u>0</u>	<u>280,000</u>	<u>3,575,000</u>	<u>285,000</u>
Net Pension Liability:					
STRS	19,087,372	0	1,601,418	17,485,954	0
SERS	5,534,264	0	333,474	5,200,790	0
Total Net Pension Liability	<u>24,621,636</u>	<u>0</u>	<u>1,934,892</u>	<u>22,686,744</u>	<u>0</u>
Net OPEB Liability:					
STRS	3,134,971	0	3,134,971	0	0
SERS	2,520,007	44,802	0	2,564,809	0
Total Net OPEB Liability	<u>5,654,978</u>	<u>44,802</u>	<u>3,134,971</u>	<u>2,564,809</u>	<u>0</u>
Sick Leave Benefits	<u>1,824,948</u>	<u>380,654</u>	<u>140,484</u>	<u>2,065,118</u>	<u>0</u>
Total Governmental Activities	<u>\$60,862,902</u>	<u>\$425,456</u>	<u>\$6,405,842</u>	<u>\$54,882,516</u>	<u>\$995,000</u>
Business-Type Activity:					
Net Pension Liability:					
SERS	\$481,257	\$0	\$29,006	\$452,251	\$0
Net OPEB Liability:					
SERS	219,131	3,896	0	223,027	0
Sick Leave Benefits	<u>13,744</u>	<u>3,219</u>	<u>0</u>	<u>16,963</u>	<u>0</u>
Total Business-Type Activities	<u>\$714,132</u>	<u>\$7,115</u>	<u>\$29,006</u>	<u>\$692,241</u>	<u>\$0</u>

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

On August 8, 2018, the School District issued School Facilities Construction and Improvement Bonds consisting of \$4,825,000 in serial bonds and \$18,175,000 in term bonds. The bonds will mature on December 1, 2047. These bonds were issued to finance the construction of a new high school, a new elementary school, renovate the middle school, and general site improvements.

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

Year	Principal Amount to be Redeemed
2028	\$480,000
2029	540,000

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

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

Year	Principal Amount to be Redeemed
2031	\$600,000
2032	670,000

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

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

Year	Principal Amount to be Redeemed
2034	\$735,000
2035	815,000

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

The Term Bonds maturing on December 1, 2039 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2037	\$895,000
2038	930,000

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

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

Year	Principal Amount to be Redeemed
2040	\$1,010,000
2041	1,050,000

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

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

Year	Principal Amount to be Redeemed
2043	\$1,135,000
2044	1,190,000
2045	1,250,000
2046	1,310,000

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

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

Principal and interest requirements to retire the 2018 bonds outstanding at June 30, 2019, are as follows:

Fiscal Year Ending	Serial		Term	
	Principal	Interest	Principal	Interest
2020	\$710,000	\$906,600	0	0
2021	425,000	895,250	0	0
2022	425,000	884,625	0	0
2023	450,000	871,500	0	0
2024	350,000	859,500	0	0
2025-2029	1,615,000	3,294,900	480,000	780,050
2030-2034	0	0	3,080,000	3,561,050
2035-2039	0	0	4,230,000	2,832,050
2040-2044	0	0	5,255,000	1,875,475
2045-2048	0	0	5,130,000	528,750
Total	\$3,975,000	\$7,712,375	\$18,175,000	\$9,577,375

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

The overall debt margin of the School District as of June 30, 2019, was \$4,406,862, with an unvoted debt margin of \$315,530.

Note 17 - Jointly Governed Organizations

A. META Solutions

The School District is a participant in Meta Solutions which is a computer consortium that was the result of a merger between Tri-Rivers Educational Computer Association (TRECA) and the Metropolitan Educational Council (MEC). META is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2019, the School District paid \$86,580 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

B. Washington County Career Center

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$325 for fiscal year 2019. Financial information can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 18 - 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.

Note 19 - 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, 2019.

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 2019 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2019 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 20 - 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, 2018	\$0
Current Year Set-aside Requirement	379,568
House Bill 30	0
Qualifying Disbursements	(538,658)
Total	<u><u>(\$159,090)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

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

Note 21 – Significant Commitments

At June 30, 2019, the District had the following contractual commitments:

School Construction Project	
Purchase Commitments	\$51,355,602
Amount Paid as of 06/30/19	<u>6,662,304</u>
	<u><u>\$44,693,298</u></u>

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 Six Fiscal Years (1)**

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.098707%	0.100682%	0.100062%	0.097308%	0.088689%	0.088689%
School District's Proportionate Share of the Net Pension Liability	\$5,653,041	\$6,015,521	\$7,323,593	\$5,552,489	\$4,924,702	\$4,488,500
School District's Covered Payroll	\$3,520,341	\$3,630,979	\$3,101,886	\$2,966,624	\$2,984,740	\$2,158,664
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	160.58%	165.67%	236.10%	187.17%	165.00%	207.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	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 which is the prior fiscal year end.

See accompanying notes to the required supplementary information

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.10048900%	0.10206430%	0.10148120%
School District's Proportionate Share of the Net OPEB Liability	\$2,787,836	\$2,739,138	\$2,892,590
School District's Covered Payroll	\$3,520,341	\$3,115,548	\$3,630,979
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	79.19%	87.92%	79.66%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%

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

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016	2015	2014
School District's Proportion of the Net Pension Liability	0.08035024%	0.08035024%	0.08028829%	0.07747167%	0.07838800%	0.07838800%
School District's Proportionate Share of the Net Pension Liability	\$17,485,954	\$19,087,372	\$26,721,242	\$21,410,904	\$18,843,791	\$19,066,779
School District's Covered Payroll	\$9,223,079	\$9,099,771	\$8,842,100	\$8,526,614	\$8,239,029	\$8,112,700
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.59%	209.76%	302.20%	251.11%	228.71%	235.02%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.30%	75.30%	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.

See accompanying notes to the required supplementary information

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

	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.07952587%	0.08035024%	0.08028829%
School District's Proportionate Share of the Net OPEB Liability	\$0	\$3,134,971	\$4,293,839
School District's Covered Payroll	\$9,223,079	\$9,099,771	\$8,842,100
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	0.00%	34.45%	48.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

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

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

See accompanying notes to the required supplementary information

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$475,246	\$420,599	\$508,337	\$434,264
Contributions in Relation to the Contractually Required Contribution	<u>(475,246)</u>	<u>(420,599)</u>	<u>(508,337)</u>	<u>(434,264)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Payroll (1)	\$3,520,341	\$3,115,548	\$3,630,979	\$3,101,886
Pension Contributions as a Percentage of Covered Payroll	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$81,842	\$71,424	\$55,144	\$51,692
Contributions in Relation to the Contractually Required Contribution	<u>(81,842)</u>	<u>(71,424)</u>	<u>(55,144)</u>	<u>(51,692)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Covered Payroll	<u>2.32%</u>	<u>2.29%</u>	<u>1.52%</u>	<u>1.67%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>15.82%</u>	<u>15.79%</u>	<u>15.52%</u>	<u>15.67%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$391,001	\$413,685	\$298,759	\$293,529	\$234,296	\$256,813
(391,001)	(413,685)	(298,759)	(293,529)	(234,296)	(256,813)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,966,624	\$2,984,740	\$2,158,664	\$2,182,370	\$1,863,929	\$1,896,698
<u>13.18%</u>	<u>13.86%</u>	<u>13.84%</u>	<u>13.45%</u>	<u>12.57%</u>	<u>13.54%</u>
\$75,628	\$49,653	\$39,072	\$48,012	\$57,409	\$40,021
(75,628)	(49,653)	(39,072)	(48,012)	(57,409)	(40,021)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>2.55%</u>	<u>1.66%</u>	<u>1.81%</u>	<u>2.20%</u>	<u>3.08%</u>	<u>2.11%</u>
<u>15.73%</u>	<u>15.52%</u>	<u>15.65%</u>	<u>15.65%</u>	<u>15.65%</u>	<u>15.65%</u>

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	\$1,291,231	\$1,273,968	\$1,237,894	\$1,193,726
Contributions in Relation to the Contractually Required Contribution	<u>(1,291,231)</u>	<u>(1,273,968)</u>	<u>(1,237,894)</u>	<u>(1,193,726)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
School District Covered Payroll (1)	\$9,223,079	\$9,099,771	\$8,842,100	\$8,526,614
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
\$1,153,464	\$1,054,651	\$1,047,576	\$1,108,597	\$1,186,517	\$1,293,249
(1,153,464)	(1,054,651)	(1,047,576)	(1,108,597)	(1,186,517)	(1,293,249)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,239,029	\$8,112,700	\$8,058,277	\$8,527,669	\$9,127,054	\$9,948,069
<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$81,127	\$80,583	\$85,277	\$91,271	\$99,481
0	(81,127)	(80,583)	(85,277)	(91,271)	(99,481)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

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Warren Local School District, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Net Pension Liability

Changes in Assumptions – SERS

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

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

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

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

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

	Fiscal Year 2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

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

Warren Local School District, Ohio

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2019

Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions – SERS

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

Municipal Bond Index Rate:

Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense,
including price inflation

Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

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

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	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	2019	\$51,071
Cash Assistance:			
School Breakfast Program	10.553	2019	119,304
National School Lunch Program	10.555	2019	295,103
Cash Assistance Subtotal			414,407
Total Child Nutrition Cluster			465,478
Total U.S. Department of Agriculture			465,478
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2018 2019	54,577 377,850 432,427
Total Title I Grants to Local Educational Agencies			
Special Education Cluster:			
Special Education Grants to States	84.027	2018 2019	25,122 425,291 450,413
Total Special Education Grants to States			
<i>Passed Through Ohio Valley Educational Service Center:</i>			
Special Education Preschool Grants	84.173	2019	12,822
Total Special Education Cluster			463,235
<i>Passed Through Ohio Department of Education</i>			
Improving Teacher Quality State Grants	84.367	2018 2019	9,104 59,105 68,209
Total Improving Teacher Quality State Grants			
Emergency Aid Displaced Students	84.938	2019	25,500
Total Emergency Aid Displaced Students			25,500
Student Support and Academic Enrichment Program	84.424	2019	30,377
Total Student Support and Academic Enrichment Program			30,377
Total U.S. Department of Education			1,019,748
Total Expenditures of Federal Awards			\$1,485,226

The accompanying notes are an integral part of this Schedule.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Warren Local School District (the School District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2019, 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 April 23, 2020, wherein we noted the School District restated the June 30, 2018 Governmental Activities Net Position..

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-001 be a material weakness.

Warren Local School District
Washington County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

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*.

School District's Response to the Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 23, 2020

OHIO AUDITOR OF STATE KEITH FABER



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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 Bellaire Local School District's, Washington County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Bellaire Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's 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 program.

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 the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major 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 Warren Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

April 23, 2020

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(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 weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Program (list): <ul style="list-style-type: none">• Nutrition Cluster – CFDA #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**

FINDING NUMBER 2019-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019
(Continued)**

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

FINDING NUMBER 2019-001 (Continued)

Material Weakness (Continued)

The following errors in the financial statements were identified:

- During fiscal year 2018, the School District was awarded a \$38,470,294 OFCC Project agreement pursuant to Ohio Rev. Code § 3318.083. While this amount has been amended since the initial award, no receivable was included in the School District's 2018 financial statements. At June 30, 2018, the amended OFCC Project Agreement remaining grant balance not yet received by the School District was \$35,693,610. A prior period restatement to include this receivable was required.
- At June 30, 2019, the School District's amended OFCC Project Agreement remaining grant balance not yet received by the School District was \$35,158,959. Additionally, the School District received \$4,632,596 in the subsequent available period. The financial statements did not include this \$35,158,959 as a receivable and revenue in Governmental Activities and did not include the \$35,158,959 as a receivable, the \$4,643,596 as revenue, or the remaining \$30,526,363 as deferred revenue in the Ohio School Facilities Fund.
- Invested in Capital Assets, Net of Related Debt in Governmental Activities was incorrectly calculated resulting in an overstatement of Invested in Capital Assets, Net of Related Debt and an understatement of Unrestricted Fund Balance of \$2,911,894.

The errors were caused by an oversight of the School District's management.

These adjustments, with which the School District agrees, have been posted to the accompanying basic financial statements.

The School District's management should review applicable accounting pronouncements and grant/loan agreements to help ensure the financial statements are complete and accurate.

Officials' Response:

Management has already corrected and put in place internal controls to ensure the financial statements of the District accurately reflects fund balances. Changes have been made in the Web-GAAP system to ensure that the fund balances are correctly stated on the financial statements. Management does not believe that the corrections on the FY 2019 financial statements in any way effects the true overall financial status of the District.

3. FINDINGS FOR FEDERAL AWARDS

None.

Warren Local Schools

Kyle R. Newton, Superintendent

220 Sweetapple Road
Vincent, Ohio 45784



Melcie A. Wells, Treasurer

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(B) JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	A material noncompliance citation was issued under Ohio Rev. Code § 135.18(A)(1) relating to improper collateral for fund balances held by the public depository.	Fully Corrected	N/A
2018-002	A significant deficiency was issued for improperly classifying restricted fund balances.	Fully Corrected	N/A



Warren Local Schools

Kyle R. Newton, Superintendent

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Vincent, Ohio 45784



Melcie A. Wells, Treasurer

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2019

Finding Number:

2019-001

Planned Corrective Action:

Management has already corrected and put in place internal controls to ensure the financial statements of the District accurately reflects fund balances. Changes have been made in the Web-GAAP system to ensure that the fund balances are correctly stated on the financial statements. Management does not believe that the corrections on the FY 2019 financial statements in any way affects the true overall financial status of the District.

Anticipated Completion Date:

Immediately

Responsible Contact Person:

Melcie Wells, Treasurer



OHIO AUDITOR OF STATE KEITH FABER



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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MAY 12, 2020