

**WARREN COUNTY SCHOOL DISTRICT
WARREN, PENNSYLVANIA**

SINGLE AUDIT REPORT

JUNE 30, 2021

WARREN COUNTY SCHOOL DISTRICT

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FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Members of the Board
Warren County School District
Warren, Pennsylvania

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 County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independent Auditors' Report
(Continued)

Opinions

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 County School District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Independent Auditors' Report
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021 on our consideration of Warren County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Warren County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Warren County School District's internal control over financial reporting and compliance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

December 1, 2021
Erie, Pennsylvania

WARREN COUNTY SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2021

The discussion and analysis of the Warren County School District's financial performance is provided as an overall review of the financial activities for the fiscal year ended June 30, 2021. It is intended to have this discussion and analysis presented as a look at the District's financial performance as a whole. To gain a greater appreciation and understanding of the District's financial performance, the reader should also review the financial statements and notes.

FINANCIAL HIGHLIGHTS:

Key financial highlights for 2020-2021 include:

Total 2020-2021 General Fund revenues amounted to \$84,811,496, compared to 2019-2020 total revenue of \$80,960,249. This represented a 4% increase in revenues.

The General Fund expenditures, including transfers, of the District amounted to \$84,269,214 in 2020-2021, compared to total expenditures in 2019-2020 of \$79,771,517. This represents a .5% increase in expenses.

The General Fund total fund balance at fiscal year ending 2020-2021 was \$19,666,783, which represented a favorable change of \$545,208 from the prior year's fund balance of \$19,121,575. Included in the total fund balance are commitments of \$14,643,349 as shown on page 16. The unassigned fund balance of \$4,223,774 at fiscal year ending June 30, 2021 represented 5% of the total expenditures in the fiscal year compared to the fund balance at fiscal year ended June 30, 2020, which represented 7.4% of the expenditures for that period.

USING THE ANNUAL FINANCIAL REPORT:

The annual financial report consists of a series of financial statements and notes to those statements.

The organization of these reports is intended to provide the reader with an understanding of the Warren County School District as a financial whole and an entire operating entity.

The statements progress into a more detailed look at the specific financial activities during the fiscal year 2020-2021.

The *Statement of Net Position* and *Statement of Activities* provide information about the whole District, presenting both an aggregate view of the District's finances and longer-term view of those finances. The next level of detail is presented in the fund financial statements. For the governmental funds, these statements explain how services were financed in the short-term, as well as what remains for future spending. The District's most significant funds are also viewed through the fund financial statements. The General Fund is by far the most significant fund of the Warren County School District.

REPORTING THE SCHOOL DISTRICT AS A WHOLE:

Government-Wide Financial Statements

Statement of Net Position and the Statement of Activities

This document contains all the funds used by the District to provide programs and activities and attempts to answer the question, “How did we do financially during the 2020-2021 fiscal year?” The answer is available in the *Statement of Net Position* and the *Statement of Activities*. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector organizations. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or disbursed.

These two statements report the District’s net position and changes in the assets over the course of the 2020-2021 fiscal year. The reports will show whether the District as a whole has seen an increase or decrease in its financial position. The causes for this change may be the result of many factors, some financial, some not. Non-financial factors include the District’s property tax base, student enrollment, facility conditions, required educational programs and other factors.

The *Statement of Net Position* and the *Statement of Activities* divide the District into two distinct types of activities:

- **Governmental Activities** – Most of the District’s programs and services are reported here and include instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The District’s Food Services operations are reported as business activities.

The *Statement of Net Position* provides the perspective of the School District taken as a whole. The School District’s total net position was a negative \$69,350,995 at June 30, 2021, compared to a negative \$73,752,731 for 2020. This represents an increase in net position of 5% compared to 2020.

	2021	2021		2020	2020	
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Current	\$ 44,606,232	\$ 924,485	\$ 45,530,717	\$ 47,094,394	\$ 581,282	\$ 47,675,676
Capital assets and other assets	117,011,246	58,630	117,069,876	114,285,794	72,560	114,358,354
Total Assets	161,617,478	983,115	162,600,593	161,380,188	653,842	162,034,030
Deferred outflows of resources	18,893,431	271,866	19,165,297	12,781,330	220,590	13,001,920
Current and other liabilities	13,445,644	80,180	13,525,824	15,595,823	97,199	15,693,022
Long-term liabilities	228,900,866	1,583,520	230,484,386	223,126,197	1,512,255	224,638,452
Total Liabilities	242,346,510	1,663,700	244,010,210	238,722,020	1,609,454	240,331,474
Deferred inflows of resources	7,041,208	65,467	7,106,675	8,352,755	104,452	8,457,207
Net Position						
Net investment						
in capital assets	20,990,246	58,630	21,048,876	16,839,794	72,560	16,912,354
Restricted	11,425,976	-	11,425,976	8,690,976	-	8,690,976
Unrestricted	(101,293,031)	(532,816)	(101,825,847)	(98,444,027)	(912,034)	(99,356,061)
Total Net Position	\$ (68,876,809)	\$ (474,186)	\$ (69,350,995)	\$ (72,913,257)	\$ (839,474)	\$ (73,752,731)

The following table shows the revenues, expenses and changes in net position for fiscal years ended June 30, 2021 and 2020:

	2021	2021		2020	2020	
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
Revenues						
Operating grants and contributions	\$ 52,984,718	\$ 2,797,820	\$ 55,782,538	\$ 53,340,020	\$ 1,717,823	\$ 55,057,843
Capital grants and contributions	30,499	-	30,499	82,348	-	82,348
Charges for services	1,538,561	250,793	1,789,354	1,001,436	401,557	1,402,993
General revenues						
Property taxes	26,209,719	-	26,209,719	23,239,628	-	23,239,628
Earned income and local services						
taxes	3,071,649	-	3,071,649	3,082,430	-	3,082,430
Other taxes	25,876	-	25,876	23,492	-	23,492
Other local sources	935,581	-	935,581	54,753	40,933	95,686
Interest earnings	232,351	227	232,578	403,847	1,636	405,483
Total Revenues	85,028,954	3,048,840	88,077,794	81,227,954	2,161,949	83,307,555
Expenses						
Instruction	46,163,486	-	46,163,486	48,423,540	-	48,423,540
Pupil personnel	2,968,135	-	2,968,135	3,351,593	-	3,351,593
Instructional student support	2,228,858	-	2,228,858	1,907,237	-	1,907,237
Administrative/financial support	3,704,146	-	3,704,146	4,257,435	-	4,257,435
Operation of plant	6,517,055	-	6,517,055	6,962,777	-	6,962,777
Student transportation	5,122,794	-	5,122,794	4,924,264	-	4,924,264
Central services	3,645,169	-	3,645,169	5,329,342	-	5,329,342
Student activities	1,046,705	-	1,046,705	1,172,784	-	1,172,784
Business services	976,133	-	976,133	1,087,594	-	1,087,594
Other	1,651,024	-	1,651,024	1,497,984	-	1,497,984
Interest on debt	3,145,382	-	3,145,382	3,477,393	-	3,477,393
Depreciation	3,823,619	-	3,823,619	3,081,252	-	3,081,252
Food services	-	2,683,552	2,683,552	-	2,175,879	2,175,879
Total Expenses	80,992,506	2,683,552	83,676,058	85,473,195	2,175,879	87,649,074
Increase (Dec) In Net Position	4,036,448	365,288	4,401,736	(4,245,241)	(13,930)	(4,341,519)
Net Position, beginning of year	(72,913,257)	(839,474)	(73,752,731)	(68,668,016)	(825,544)	(69,493,560)
Net Position, end of year	\$ (68,876,809)	\$ (474,186)	\$ (69,350,995)	\$ (72,913,257)	\$ (839,474)	\$ (73,835,079)

Governmental Activities

Governmental activities for 2020-2021 resulted in an increase in net position of \$4,036,448. The increase resulted primarily from the change in pension expenses and related actuarially determined figures recognized in the current year.

Business-Type Activities

Business-type activities relate to the District's food service program. The food service program receives direct funding support from the state and federal divisions dealing with the National School Lunch Program. Additional revenues derived from the sale of meals to students and staff account for the operational funds to operate without support from tax revenues. The General Fund, from time-to-time, through a transfer of funds to maintain the majority of capital equipment needs for food service operations, makes a direct contribution to the food service fund.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS:

The analysis of the District's major funds begins on page 16. Detailed information about the District's major funds is reported through the fund financial reports. The major funds will focus on the General Fund and the Capital Projects Fund.

Government Funds – Most District activities are reported in governmental funds, which focus on the flow of funds into and out of those funds. The balances at the end of the fiscal year represent what is available for funding in future periods. The modified accrual basis of accounting is used to report the financial activities in these funds and measures cash and all other financial assets that can readily be converted to cash. The governmental funds' statements provide a detailed short-term view of the District's general government operations and the basic services it provides. An analysis of the governmental funds helps to determine what funds may be available in the near future to finance continued educational programs.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

Fiduciary Funds – The District is the trustee for an established Trust Fund. Funds within the trust are monitored by the District and distributed as monetary awards or through purchases for educational supplies and materials in accordance with the specifications and restrictions of each trust agreement. Due to the trust arrangement, these funds can only be used for trust beneficiaries and cannot be utilized by the District to finance its operations.

General Fund Revenue

The District's revenues continue to reflect a similar basic breakdown: local (taxes and other), 36%; State and Federal revenues, 64%.

	2020-2021		2019-2020	
Local Revenue	\$ 30,136,626	36%	\$ 28,575,447	35%
State Revenue	47,570,590	56%	47,156,109	58%
Federal & Other	7,104,280	8%	5,228,693	7%
TOTAL	\$ 84,811,496		\$ 80,960,249	

General Fund Expenses

The District's program expenses are 61% instruction; 37% support; and 2% non-instructional (excluding debt payments and transfers).

	2020-2021		2019-2020	
Instruction	\$ 45,760,964	61%	\$ 44,327,750	61%
Support Services	27,632,316	37%	26,856,456	37%
Non-Instruction & Debt	1,061,270	2%	1,043,037	2%
TOTAL	\$ 74,454,550		\$ 72,227,243	

The 2020-2021 fiscal year again saw little growth in the local economy. Consequently, the District's reliance on state and federal grants becomes more and more evident in an effort to meet program needs in order to avoid further financial hardship to the local taxpayer.

School District's Funds

The governmental funds of the District are accounted for using the modified accrual basis of accounting. The following is a breakdown of District fund balances:

	2020-2021
General Fund	\$ 19,666,783
Capital Projects	3,476,022
Debt Service	11,425,976
TOTAL	\$ 34,568,781

General Fund Budget Highlights

The \$84,801,695 of revenues and other financing sources in the General Fund in 2020-2021 exceeded the budget by \$3,884,005. A majority of this fluctuation was due to better than anticipated tax collection and state and federal subsidies.

General Fund expenditure outlay and other financing uses of \$81,548,937 was \$284,007 less than budgeted with significant savings in instruction and student transportation services due to the pandemic.

Although the District recognizes a fund balance of \$19,666,783, it also realizes that a liability for certain obligations as shown on page 16 needs to be considered as a commitment of that fund balance.

Comparison of Transfer Out Accounts

	2020-2021	2019-2020
Contribution to Capital Project	\$ 2,707,567	\$ 575,000
Debt Service	7,107,097	6,928,258
TOTAL	\$ 9,814,664	\$ 7,503,258

Capital Assets

At the end of fiscal year 2020-2021, the District had approximately \$117 million invested in land, buildings, equipment and construction-in-progress (\$181 million, less accumulated depreciation of \$64 million).

Debt Administration

The existing bonds payable at June 30, 2021 totaled \$96,021,000. The debt payments for the fiscal year totaled \$4,574,003.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District’s finances and to show the District’s accountability for the financial resources it receives. If you have questions about the report or wish to request additional financial information, please contact the District’s Business Administrator, 6820 Market Street, Russell, PA 16345; telephone (814) 723-6900.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Position

June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 13,325,613	\$ 168,670	\$ 13,494,283
Investments	24,135,287	-	24,135,287
Taxes receivable, net	1,872,366	-	1,872,366
Internal balances	(286,295)	286,295	-
Due from other governments	4,494,766	449,517	4,944,283
Other receivables	264,835	20,003	284,838
Prepaid expenses	799,660	-	799,660
Total Current Assets	44,606,232	924,485	45,530,717
Noncurrent Assets			
Land	498,983	-	498,983
Construction in progress	15,009,354	-	15,009,354
Capital assets, net	101,502,909	58,630	101,561,539
Total Noncurrent Assets	117,011,246	58,630	117,069,876
Total Assets	161,617,478	983,115	162,600,593
Deferred Outflows of Resources			
Deferred outflows OPEB premium assistance	657,713	-	657,713
Deferred outflows OPEB - district	2,631,053	-	2,631,053
Deferred outflows - pension	15,604,665	271,866	15,876,531
	18,893,431	271,866	19,165,297
 Total Assets and Deferred Outflows of Resources	 \$ 180,510,909	 \$ 1,254,981	 \$ 181,765,890

The accompanying notes are an integral part of these statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,387,605	\$ 28,882	\$ 1,416,487
Retainage payable	-	-	-
Current portion of long-term debt	4,244,000	-	4,244,000
Accrued salaries and benefits	3,098,654	30,202	3,128,856
Payroll deductions and withholdings	234,931	-	234,931
Accrued pension - PSERS	3,771,382	-	3,771,382
Other current liabilities	709,072	21,096	730,168
Total Current Liabilities	<u>13,445,644</u>	<u>80,180</u>	<u>13,525,824</u>
Noncurrent Liabilities			
Bonds payable	91,777,000	-	91,777,000
Long-term portion of compensated absences	368,655	-	368,655
Net OPEB liability - premium assistance	4,620,000	-	4,620,000
Net OPEB liability	28,150,731	-	28,150,731
Net pension liability	103,984,480	1,583,520	105,568,000
Total Noncurrent Liabilities	<u>228,900,866</u>	<u>1,583,520</u>	<u>230,484,386</u>
Total Liabilities	<u>242,346,510</u>	<u>1,663,700</u>	<u>244,010,210</u>
Deferred Inflows of Resources			
Deferred inflows - OPEB premium assistance	413,000	-	413,000
Deferred inflows - OPEB District	2,269,675	-	2,269,675
Deferred inflows - pension	4,358,533	65,467	4,424,000
	<u>7,041,208</u>	<u>65,467</u>	<u>7,106,675</u>
Net Position			
Net investment in capital assets	20,990,246	58,630	21,048,876
Restricted	11,425,976	-	11,425,976
Unrestricted	(101,293,031)	(532,816)	(101,825,847)
Total Net Position	<u>(68,876,809)</u>	<u>(474,186)</u>	<u>(69,350,995)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 180,510,909</u>	<u>\$ 1,254,981</u>	<u>\$ 181,765,890</u>

WARREN COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction	\$ 46,163,486	\$ 16,799	\$ 42,591,263	\$ 30,499
Pupil personnel	2,968,135	1,407,758	337,458	-
Instructional student support	2,228,858	-	253,093	-
Administrative and financial support	3,704,146	-	674,915	-
Pupil health	1,651,024	-	647,575	-
Operation and maintenance of plant services	10,340,674	8,286	1,905,428	-
Student transportation	5,122,794	-	4,114,245	-
Central services	3,645,169	-	590,551	-
Student and community activities	1,046,705	105,718	84,364	-
Business services	976,133	-	84,364	-
Interest on debt	3,145,382	-	1,701,462	-
Total Governmental Activities	80,992,506	1,538,561	52,984,718	30,499
<u>Business-Type Activities</u>				
Food service	2,683,552	250,793	2,797,820	-
Total Business-Type Activities	2,683,552	250,793	2,797,820	-
Total Primary Government	\$ 83,676,058	\$ 1,789,354	\$ 55,782,538	\$ 30,499

General Revenues:

- Taxes
 - Property taxes
 - Earned income and local services tax
 - Public utility realty/other taxes
- Interest earnings
- Transfers
- Other local sources
- Total General Revenues

Change in Net Position

Net Position July 1, 2020

Net Position, June 30, 2021

The accompanying notes are an integral part of these statements.

Governmental Activities	Business- Type Activities	Total
\$ (3,524,925)	\$ -	\$ (3,524,925)
(1,222,919)	-	(1,222,919)
(1,975,765)	-	(1,975,765)
(3,029,231)	-	(3,029,231)
(1,003,449)	-	(1,003,449)
(8,426,960)	-	(8,426,960)
(1,008,549)	-	(1,008,549)
(3,054,618)	-	(3,054,618)
(856,623)	-	(856,623)
(891,769)	-	(891,769)
(1,443,920)	-	(1,443,920)
<u>(26,438,728)</u>	<u>-</u>	<u>(26,438,728)</u>
-	365,061	365,061
-	<u>365,061</u>	<u>365,061</u>
<u>(26,438,728)</u>	<u>365,061</u>	<u>(26,073,667)</u>
26,209,719	-	26,209,719
3,071,649	-	3,071,649
25,876	-	25,876
232,351	227	232,578
-	-	-
935,581	-	935,581
<u>30,475,176</u>	<u>227</u>	<u>30,475,403</u>
4,036,448	365,288	4,401,736
<u>(72,913,257)</u>	<u>(839,474)</u>	<u>(73,752,731)</u>
<u>\$ (68,876,809)</u>	<u>\$ (474,186)</u>	<u>\$ (69,350,995)</u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2021

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,820,880	\$ 2,504,733	\$ -	\$ 13,325,613
Investments	11,732,424	976,887	11,425,976	24,135,287
Taxes receivable, net	1,998,187	-	-	1,998,187
Intergovernmental receivables	4,494,766	-	-	4,494,766
Other receivables	259,588	5,247	-	264,835
Prepaid expenses and other assets	799,660	-	-	799,660
Total Assets	\$ 30,105,505	\$ 3,486,867	\$ 11,425,976	\$ 45,018,348
Liabilities, Deferred Inflows, and Fund Balances				
Liabilities				
Accounts payable	\$ 1,376,760	\$ 10,845	\$ -	\$ 1,387,605
Retainage payable	-	-	-	-
Due to other funds	286,295	-	-	286,295
Accrued salaries and benefits	3,098,654	-	-	3,098,654
Payroll deductions and withholdings	4,006,313	-	-	4,006,313
Other current liabilities	108,839	-	-	108,839
Total Liabilities	8,876,861	10,845	-	8,887,706
Deferred Inflows of Resources				
Unavailable revenue - property taxes	1,561,861	-	-	1,561,861
Total Deferred Inflows of Resources	1,561,861	-	-	1,561,861
Fund Balances				
Restricted for debt service	-	-	11,425,976	11,425,976
Nonspendable	799,660	-	-	799,660
Committed to:				
Capital projects	3,158,600	3,476,022	-	6,634,622
Retirement	4,500,000	-	-	4,500,000
Tax and School Board contingencies	1,000,000	-	-	1,000,000
Medical expenses	780,256	-	-	780,256
Textbook purchases	1,814,851	-	-	1,814,851
Technology	2,580,057	-	-	2,580,057
Scrap recovery	216,285	-	-	216,285
WCCC Health Program	10,000	-	-	10,000
STEM	583,300	-	-	583,300
Unassigned	4,223,774	-	-	4,223,774
Total Fund Balances	19,666,783	3,476,022	11,425,976	34,568,781
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 30,105,505	\$ 3,486,867	\$ 11,425,976	\$ 45,018,348

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2021

Total fund balances - governmental funds		\$ 34,568,781
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 as assets in governmental funds.		117,011,246
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		1,561,861
An estimate of uncollectible real estate taxes receivable is not recorded in the funds.		(125,821)
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions and OPEB		18,893,431
Deferred inflows of resources related to pensions and OPEB		(7,041,208)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable	\$ (96,021,000)	
Accrued interest	(275,491)	
Other post-employment benefits	(32,770,731)	
Compensated absences	(693,397)	
Net pension liability	<u>(103,984,480)</u>	<u>(233,745,099)</u>
Total Net Position - Governmental Activities		<u>\$ (68,876,809)</u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local sources				
Property taxes	\$ 23,463,382	\$ -	\$ -	\$ 23,463,382
Income and other taxes	3,097,525	-	-	3,097,525
Other local sources	3,575,719	2,570	201,906	3,780,195
State sources	47,570,590	-	-	47,570,590
Federal sources	7,104,280	-	-	7,104,280
Total Revenues	84,811,496	2,570	201,906	85,015,972
Expenditures				
Instruction	45,760,964	-	-	45,760,964
Support services	27,632,316	-	-	27,632,316
Noninstructional services	1,061,270	-	-	1,061,270
Capital outlay	-	6,258,005	-	6,258,005
Bond issue costs	-	-	-	-
Debt service (principal and interest)	-	-	4,574,003	4,574,003
Total Expenditures	74,454,550	6,258,005	4,574,003	85,286,558
Excess (Deficiency) of Revenues Over Expenditures	10,356,946	(6,255,435)	(4,372,097)	(270,586)
Other Financing Sources (Uses)				
Interfund transfers out	(9,814,664)	-	-	(9,814,664)
Interfund transfers in	-	2,707,567	7,107,097	9,814,664
Transfer to proprietary fund	-	-	-	-
Sale of fixed assets	-	-	-	-
Refund of prior year's receipts	2,926	-	-	2,926
Issuance of debt	-	-	-	-
Other financing	-	-	-	-
Total Other Financing Sources (Uses)	(9,811,738)	2,707,567	7,107,097	2,926
Net Change in Fund Balances	545,208	(3,547,868)	2,735,000	(267,660)
Fund Balance, July 1, 2020	19,121,575	7,023,890	8,690,976	34,836,441
Fund Balance, June 30, 2021	<u>\$ 19,666,783</u>	<u>\$ 3,476,022</u>	<u>\$ 11,425,976</u>	<u>\$ 34,568,781</u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Reconciliation of the Governmental Funds' Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2021

Total net change in fund balances - governmental funds		\$ (267,660)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in 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 exceeds capital outlays in the period.		
Depreciation and amortization expense	\$ (3,823,619)	
Capital outlays	6,549,071	2,725,452
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		1,425,000
Governmental funds report District pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
School District pension contributions - fund expenditures	10,340,825	
Cost of benefits earned net of employee contributions (pension expense recognized)	(14,694,814)	(4,353,989)
Amortization of deferred outflows/inflows is not reflected in the fund statements, as they are related to future pension obligations		
		5,810,515
Other:		
Change in deferred taxes		10,056
Change in accrued interest payable		3,621
Change in compensated absences		23,206
Change in OPEB liability and related deferrals		(1,339,753)
Change in Net Position of Governmental Activities		\$ 4,036,448

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Local revenues	\$ 26,807,260	\$ 26,807,260	\$ 30,123,916	\$ 3,316,656
State program revenues	47,105,384	47,105,384	47,570,590	465,206
Federal program revenues	7,005,046	7,005,046	7,104,280	99,234
Total Revenues	<u>80,917,690</u>	<u>80,917,690</u>	<u>84,798,786</u>	<u>3,881,096</u>
Expenditures				
Regular programs	32,991,698	33,709,694	32,509,465	1,200,229
Special programs	11,273,805	11,340,126	11,480,631	(140,505)
Vocational programs	1,491,672	1,514,408	1,542,711	(28,303)
Other instructional programs	112,922	112,922	228,157	(115,235)
Pupil personnel services	3,179,879	3,035,454	3,059,548	(24,094)
Instructional staff services	1,835,214	2,028,265	2,260,402	(232,137)
Administrative services	4,130,885	4,181,466	3,810,929	370,537
Pupil health	1,571,015	1,574,572	1,681,764	(107,192)
Business services	976,598	976,598	1,006,873	(30,275)
Operation and maintenance of plant services	5,930,193	5,933,962	6,471,840	(537,878)
Student transportation services	5,672,825	5,642,134	5,138,160	503,974
Central and other support services	2,989,717	3,462,860	4,105,212	(642,352)
Media services	81,245	81,245	97,588	(16,343)
Student activities	153,999	215,496	185,168	30,328
Athletics	841,477	841,477	846,949	(5,472)
Community services	16,563	16,563	16,443	120
Total Expenditures	<u>73,249,707</u>	<u>74,667,242</u>	<u>74,441,840</u>	<u>225,402</u>
Excess of Revenues				
Over Expenditures	<u>7,667,983</u>	<u>6,250,448</u>	<u>10,356,946</u>	<u>4,106,498</u>
Other Financing Sources (Uses)				
Debt service transfer	(7,165,702)	(7,165,702)	(7,107,097)	58,605
Other fund transfers	(1,491,477)	(1,573,044)	(2,707,567)	(1,134,523)
Sale of fixed assets	-	-	-	-
Refund of prior year's receipts	-	-	2,909	2,909
Budgetary reserve	<u>(4,568,277)</u>	<u>(3,069,175)</u>	<u>-</u>	<u>3,069,175</u>
Total Other Financing Sources (Uses)	<u>(13,225,456)</u>	<u>(11,807,921)</u>	<u>(9,811,755)</u>	<u>1,996,166</u>
Net Change in Fund Balances	(5,557,473)	(5,557,473)	545,191	6,102,664
Fund Balance, July 1, 2020	<u>19,122,975</u>	<u>19,122,975</u>	<u>19,122,975</u>	<u>-</u>
Fund Balance, June 30, 2021	<u>\$ 13,565,502</u>	<u>\$ 13,565,502</u>	<u>\$ 19,668,166</u>	<u>\$ 6,102,664</u>

* The above schedule does not include activity within the School District's Athletic Fund, which is combined with the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances on page 18.

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2021

	<u>Food Service</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 168,670
Due from other funds	286,295
Intergovernmental accounts receivable	449,517
Other accounts receivable	<u>20,003</u>
Total Current Assets	<u>924,485</u>
Noncurrent Assets	
Machinery and equipment, net	<u>58,630</u>
Total Assets	<u>983,115</u>
Deferred Outflows of Resources	
Deferred outflows - pension	<u>271,866</u>
Total Assets and Deferred Outflows	<u>\$ 1,254,981</u>
Liabilities	
Current Liabilities	
Accrued salaries and benefits	\$ 30,202
Student deposits	21,096
Accounts payable	<u>28,882</u>
Total Current Liabilities	<u>80,180</u>
Noncurrent Liabilities	
Net pension liability	<u>1,583,520</u>
Total Liabilities	<u>1,663,700</u>
Deferred Inflows of Resources	
Deferred inflows - pension	<u>65,467</u>
Net Position	
Net investment in capital assets	58,630
Unrestricted	<u>(532,816)</u>
Total Net Position	<u>(474,186)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,254,981</u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2021

	Food Service
Operating Revenues:	
Food service revenue	\$ 250,793
Total Operating Revenues	250,793
Operating Expenses:	
Salaries	605,561
Employee benefits	550,913
Other purchased services	1,502,761
Depreciation	13,930
Other operating expenditures	10,387
Total Operating Expenses	2,683,552
Operating Income (Loss)	(2,432,759)
Nonoperating Revenues (Expenses)	
State sources	119,423
Federal sources	2,678,397
Interest earned	227
Transfers In	-
Total Nonoperating Revenues (Expenses)	2,798,047
Change in Net Position	365,288
Net Position, July 1, 2020	(839,474)
Net Position, June 30, 2021	\$ (474,186)

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Food Service</u>
Cash Flows From Operating Activities	
Cash received from users	\$ 231,623
Cash payments to employees for services	(1,173,496)
Cash payments to suppliers for goods and services	(1,532,141)
Net Cash Provided By (Used For) Operating Activities	(2,474,014)
Cash Flows From Investing Activities	
Earnings from investments	227
Net Cash Provided By (Used For) Investing Activities	227
Cash Flows From Non-Capital Financing Activities	
State sources	119,423
Federal sources	2,327,386
Transfers in, net of interfund activity	40,828
Net Cash Provided By (Used For) Non-Capital Financing Activities	2,487,637
Net Increase in Cash and Cash Equivalents	13,850
Cash and Cash Equivalents at Beginning of Year	154,820
Cash and Cash Equivalents at End of Year	\$ 168,670
Reconciliation of Operating Income to Net Cash (Used For)	
Operating Activities	
Operating income (loss)	\$ (2,432,759)
Depreciation and net amortization	13,930
(Increase) decrease in accounts receivable	(19,170)
(Increase) decrease in deferred outflows	(51,276)
Increase (decrease) in other liabilities	1,974
Increase (decrease) in net pension liability	71,265
Increase (decrease) in deferred inflows	(38,985)
Increase (decrease) in accounts payable	(18,993)
Total Adjustments	(41,255)
Cash Provided By (Used For) Operations	\$ (2,474,014)

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2021

	Agency Funds		Trust Funds	Total
	Student Activities	Earned Income Tax Office		
Assets				
Cash and cash equivalents	\$ 197,934	\$ 428,579	\$ 47,987	\$ 674,500
Investments	-		441,120	441,120
Total Assets	\$ 197,934	\$ 428,579	\$ 489,107	\$ 1,115,620
Liabilities and Net Position				
Liabilities				
Accounts payable	\$ -	\$ 428,579	\$ -	\$ 428,579
Total Liabilities	-	428,579	-	428,579
Net Position				
Held for student groups	197,934	-	-	197,934
Restricted by trust agreements	-	-	489,107	489,107
Total Net Position	197,934	-	489,107	687,041
Total Liabilities and Net Position	\$ 197,934	\$ 428,579	\$ 489,107	\$ 1,115,620

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2021

	<u>Trust Funds</u>	<u>Student Activity Funds</u>
Additions		
Gifts and contributions	\$ 4,331	\$ -
Fundraising	-	110,114
Net investment income	5,961	-
Earnings/(loss) on investments	<u>72,553</u>	<u>-</u>
	<u>82,845</u>	<u>110,114</u>
Deductions		
Fundraising	-	110,858
Scholarships/withdrawals	<u>3,055</u>	<u>-</u>
	<u>3,055</u>	<u>110,858</u>
Change in Net Position	79,790	(744)
Net Position, July 1, 2020, restated	<u>409,317</u>	<u>198,678</u>
Net Position, June 30, 2021	<u>\$ 489,107</u>	<u>\$ 197,934</u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) as applied to governmental units prescribed in the statements issued by the Government Accounting Standards Board (GASB) and other recognized authoritative sources.

A. Financial Reporting Entity

For financial reporting purposes, Warren County School District includes all funds that are controlled by or dependent on the administrative and legislative branches (the Administration or School Board, respectively). Control by or dependence on the School District is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District to finance any deficits that may occur, or receipt of significant subsidies from the School District, and reporting responsibility of the entity in question.

The School District includes the Earned Income Tax Fund of Warren County as an agency fund of the District. Furthermore, the Warren County Area Vocational Technical School, which serves primarily the Warren County School District, is included in the General Fund of the District.

B. Fund Accounting

The accounts of the School District are maintained and the accompanying fund financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. These practices, as they apply to the Warren County School District, are in conformity with accounting principles generally accepted in the United States of America.

The financial transactions of the School District are recorded in individual funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for certain repairs and maintenance of the District's buildings and facilities.

The Debt Service Fund is used to account for the payment of principal and interest related to the various outstanding General Obligation Bonds of the District.

The District reports the following major enterprise funds:

The Food Service Fund is used to account for all financial transactions related to the food service activities of the District. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the District reports the following funds:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an custodian for individuals, private organizations, other governments, and/or other funds.

These include the Student Activity Funds, Trust Funds, and the District's Earned Income Tax Office. The student activity funds and the earned income tax office are both classified as custodial funds which also involve measurement of results of operations.

C. Basis of Presentation

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. Internal service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus*. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund 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 statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each identifiable activity of the business-type and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities (whether current or noncurrent) associated with the operations of these funds are included on the balance sheet. Proprietary Fund operating statements present increases (revenues) and decreases (expenses) in net total position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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 met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, grants and student fees.

The District reports unavailable revenue on its governmental funds balance sheet. In the governmental fund statements, taxes received that are "intended to finance" a future period are reported as unavailable revenue. In subsequent periods, the liability for unavailable revenue is removed from the governmental funds balance sheet and revenue is recognized.

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on long-term debt, which is recorded when due, and (2) the costs related to compensated absences, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Taxes

The School District levies taxes on July 1 based on assessed values established by Warren County. Taxes paid prior to October 1 are eligible for a 2% discount and subject to a 10% penalty if paid after November 30. Under Act 1 of 2006, taxpayers may pay their taxes in three installments beginning August 31.

The District levied real estate taxes of \$25,448,817 on July 1, 2019 based on a gross taxable valuation of \$459,887,076 at 55.371 mills. Taxes are collectible through May 1 each year. Subsequent to that date, taxes are turned over to the Warren County Tax Claim Bureau and the property is liened.

F. Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 31, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted for twenty (20) days prior to the date set for adoption.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution.
- d. The budget is adopted on the modified accrual basis of accounting.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or expenditures are all fixed in nature.
- f. The Business Manager is authorized to transfer budgeted amounts between functional areas within the fund, but such action shall be taken only during the last nine (9) months of the fiscal year. Any revisions that alter the total expenditures of the fund require School Board approval.
- g. Unencumbered appropriations lapse at year end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all temporary investments with initial maturities of three months or less to be cash equivalents.

I. Investments

Investments are reported at fair market value based on quoted market prices.

J. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District defines capital assets as assets with an initial, individual cost of \$5,000 or more. Donated fixed assets are recorded at their fair value as of the date received. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Life - Years</u>
Buildings and improvements	20-40
Machinery and equipment	5-20

K. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenses/expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered available and spendable resources and current obligations of the respective funds. These amounts are eliminated in the Statement of Net Position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

Unpaid sick and personal days accrue at a rate of \$8.00 to \$50.00 per day and are paid on separation from service. The entire compensated absences liability is reported in the government-wide financial statements.

For governmental funds, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the appropriate fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are not reported in the fund financial statements. Unpaid compensated absences consist of \$622,387 for unused sick pay and \$71,260 for accumulated vacation pay.

M. Accrued Liabilities and Long-Term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements, as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the financial statements until due.

N. Concentration of Credit Risk

The District maintains various deposits presented on the balance sheet as cash and investments with several local banks. The amounts on deposit with certain banks exceed the \$250,000 federally insured limit.

Also, the District has amounts receivable arising from property tax delinquencies and levies. These amounts are due from citizens and businesses of Warren County, Pennsylvania and are, thus, subject to the economic conditions of this geographical area.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Estimates in Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify for reporting in this category. They are related to pension and OPEB contributions subsequent to the measurement date and pension and OPEB adjustments actuarially determined (see Note 9, 10 and 11 for further information).

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has several types of these items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other types are related to the pension and OPEB liabilities (see Notes 9, 10, and 11 for further information).

Q. Net Position and Fund Balance

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as nonspendable, restricted, committed, assigned and unassigned fund balance in the government fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. By resolution, the School Board has authorized the business administrator to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is essential to either remove or revise a commitment.

R. Future Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the District's financial statements:

GASB Statement No. 87, "Leases", effective for fiscal years beginning after June 15, 2021. The object of this statement is to improve accounting and financial reporting for leases.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Program Revenue

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

T. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Food Service Fund are charged to customers for goods and services. Operating expenses for the Food Service Fund include cost of sales, admin fees, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 – CASH AND CASH EQUIVALENTS

Under Section 440.1 of the Public School Code of 1949, as amended, and Pennsylvania ACT No. 10 of 2016, the School is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Repurchase agreements such as US Treasury Bills or obligations or other instruments guaranteed by the United States.

Negotiable certificates of deposits with a maturity of three years or less issued by a nationally or state-chartered bank, a federal or state savings and loan association, or a state licensed branch of a foreign bank.

Bills of exchange or time drafts accepted by a commercial bank if the acceptances don't exceed 180 days maturity and the accepting bank is rated in the top short-term category.

Commercial paper issued by corporations or other business entities organized in accordance with federal or state law or shares of an investment company registered under the Investment Company Act of 1940.

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Deposits

At June 30, 2021, the District’s deposits, excluding the Warren County School District fiduciary funds, are as follows:

Governmental Activities	<u>Bank</u>	<u>Book</u>
Unrestricted Cash:		
Cash and cash equivalents	\$ 15,177,448	\$ 13,325,613
 Business-type Activities		
Unrestricted Cash:		
Cash and cash equivalents	<u>168,843</u>	<u>168,670</u>
	<u>\$ 15,346,291</u>	<u>\$ 13,494,283</u>

Included in the governmental activities, unrestricted cash is the District’s investment in PLGIT external investment pools, with total deposit of \$976,887 as of June 30, 2021. The District’s investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximate market. The credit quality rating of PLGIT is AAAM which is the highest principal stability fund rating by S&P Global Rating. All investments in an external investment pool that are not SEC-registered are subject to oversight by the Commonwealth. The District can withdraw funds from the investment pools without limitation or fees.

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2021, \$250,000 of the District’s \$14,369,404 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$14,119,404 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$12,517,396 as of June 30, 2021.

NOTE 3 – TAXES RECEIVABLE

Taxes receivable consist of the following at June 30, 2021:

	<u>Government- Wide Statements</u>	<u>Fund Statements</u>
Delinquent real estate taxes	\$ 1,998,187	\$ 1,998,187
Allowance for doubtful accounts	<u>(125,821)</u>	<u>-</u>
	<u>\$ 1,872,366</u>	<u>\$ 1,998,187</u>

In accordance with the modified accrual basis of accounting, the above has been recognized as revenue only to the extent that they are measurable and available. Accordingly, \$1,561,861 of the delinquent real estate taxes deemed not available as of June 30, 2021 has been recorded as unavailable revenue on the governmental funds balance sheet.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of the following:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
State	\$ 3,034,234	\$ -	\$ 3,034,234
Federal	<u>1,460,532</u>	<u>449,517</u>	<u>1,910,049</u>
	<u>\$ 4,494,766</u>	<u>\$ 449,517</u>	<u>\$ 4,944,283</u>

NOTE 5 – INTERFUND TRANSACTIONS

Interfund receivables and payables on the fund statements at June 30, 2021 consist of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 286,295
Food Service Fund	<u>286,295</u>	<u>-</u>
	<u>\$ 286,295</u>	<u>\$ 286,295</u>

The outstanding balance between funds results mainly from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

NOTE 5 – INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers on the fund statements at June 30, 2021 consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		\$ 9,814,664
Capital Projects Fund	2,707,567	
Debt Service Fund	7,107,097	
Food Service Fund	-	
	<u> </u>	<u> </u>
	<u>\$ 9,814,664</u>	<u>\$ 9,814,664</u>

The purpose of the transfer from the General Fund to the Debt Service Fund was to make principal and interest payments related to the District's outstanding General Obligation Bonds. The transfers from the General Fund to the Capital Projects Fund were made to fund certain repairs and maintenance of the District's buildings and facilities.

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity during the year is as follows:

	June 30, 2020	Additions	Adjustments/ Disposals	June 30, 2021
Governmental Activities				
Capital assets not depreciated:				
Construction in progress	\$ 13,171,497	\$ 5,188,570	\$ (3,350,713)	\$ 15,009,354
Land	498,983	-	-	498,983
Total Capital Assets not Depreciated	<u>13,670,480</u>	<u>5,188,570</u>	<u>(3,350,713)</u>	<u>15,508,337</u>
Capital assets depreciated:				
Buildings and improvements	148,494,507	934,385	3,350,713	152,779,605
Furniture and equipment	11,530,630	426,116	-	11,956,746
Total Assets Depreciated	<u>160,025,137</u>	<u>1,360,501</u>	<u>3,350,713</u>	<u>164,736,351</u>
Less accumulated depreciation				
Buildings and improvements	(49,086,227)	(3,525,501)	-	(52,611,728)
Furniture and equipment	(10,323,596)	(298,118)	-	(10,621,714)
Total Accumulated Depreciation	<u>(59,409,823)</u>	<u>(3,823,619)</u>	<u>-</u>	<u>(63,233,442)</u>
Total Capital Assets Being Depreciated, Net	<u>100,615,314</u>	<u>(2,463,118)</u>	<u>3,350,713</u>	<u>101,502,909</u>
Total Capital Assets	<u>\$ 114,285,794</u>	<u>\$ 2,725,452</u>	<u>\$ -</u>	<u>\$ 117,011,246</u>
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$ 974,454	\$ -	\$ -	\$ 974,454
Less accumulated depreciation	(901,894)	(13,930)	-	(915,824)
Total Capital Assets Being Depreciated, Net	<u>\$ 72,560</u>	<u>\$ (13,930)</u>	<u>\$ -</u>	<u>\$ 58,630</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Support Services:	
Operation and Maintenance	<u>\$ 3,823,619</u>
Business-type Activities:	
Food Service	<u>\$ 13,930</u>

NOTE 7 – OTHER CURRENT LIABILITIES

Other current liabilities on the Statement of Net Position consist of the following:

	<u>Governmental</u>	<u>Business-Type</u>
Accrued interest payable	\$ 275,491	\$ -
Retirees' prepaid health insurance	108,839	-
Current portion of compensated absences	324,742	-
Student deposits	-	21,096
	<u>\$ 709,072</u>	<u>\$ 21,096</u>

NOTE 8 – NONCURRENT LIABILITIES

A. General Obligation Bonds

The General Obligation Bonds consist of the following as of June 30, 2021:

Series of 2013

On February 21, 2013, the School District issued \$9,700,000 aggregate principal amount General Obligation Bonds Series of 2013. The bonds were issued to fund the current construction and renovation projects throughout the District. The bonds mature on November 15 of each year beginning in 2014. The bonds require semi-annual interest payments on November 15 and May 15 of each year beginning November 15, 2013 with interest on the bonds ranging from 1.5% to 3.05%. A significant portion of these bonds were refunded with the issuance of Series A 2019 Bonds.

Series of 2014

On January 9, 2014, the School District issued \$9,980,000 aggregate principal amount General Obligation Bonds Series of 2014. The bonds were issued to fund the current construction and renovation projects throughout the District. The 2014 bonds mature on November 15 of each year beginning in 2015. The bonds require semi-annual interest payments on November 15 and May 15 of each year beginning May 15, 2014 with interest on the bonds ranging from 1.8% to 4.15%. A significant portion of the Series of 2014 bonds were refinanced with the General Obligation Bonds Series of 2019.

Series of 2015

On October 19, 2015, the School District issued \$6,698,000 aggregate principal amount General Obligation Bonds Series of 2015. The bonds were issued for the current refinancing of Series 2010 bonds. The 2015 bonds mature on September 1 of each year beginning in 2016. The bonds require semi-annual interest payments on September 1 and March 1 of each year beginning March 1, 2016 with an interest rate of 1.93%.

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

Series of 2017

On July 31, 2017, the School District issued \$9,920,000 aggregate principal amount General Obligation Bonds Series of 2017. The bonds were issued to finance the renovation, repair, rehabilitation and equipping of the School District's Warren Area High School and Warren County Career and Technical Center, and for other School District capital improvements. The 2017 bonds mature on March 1 of each year beginning in 2018. The bonds require semi-annual interest payments on September 1 and March 1 of each year beginning March 1, 2018 with an interest rate ranging from 1.75% to 3.5%.

Series of 2018

On May 31, 2018, the School District issued \$8,460,000 aggregate principal amount General Obligation Bonds Series of 2018. The bonds were issued to finance the renovation, repair, rehabilitation and equipping of the School District's Warren County Career and Technical Center, and for other School District capital improvements. The 2018 bonds mature on May 1 of each year beginning in 2019. The bonds require semi-annual interest payments on November 1 and May 1 of each year beginning November 1, 2018 with an interest rate ranging from 2.5% to 3.75%.

Series of 2019

On February 14, 2019, the School District issued \$9,945,000 aggregate principal amount General Obligation Bonds Series of 2019. The bonds were issued for the current refinancing of Series 2014 bonds. The 2019 bonds mature on November 15 of each year beginning in 2019. The bonds require semi-annual interest payments on November 15 and May 15 of each year beginning May 15, 2019 with an interest rate of 3%.

Series A of 2019

On November 13, 2019 the School District issued \$9,980,000 aggregate principal amount of General Obligations Bonds, Refunding Series A of 2019. The bonds were issued for the current refunding of the School District Series 2013 General Obligation Bonds. The Series A 2019 bonds mature on November 15 of each year beginning in 2020. The bonds require semi-annual interest payments on November 15 and May 15 of each year beginning May 15, 2020 with an interest rate beginning at 5%.

B. Qualified Zone Academy Bond (QZAB)

Series D of 2011

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount \$16,200,000 in the 2012 fiscal year. The bond was issued to finance the ongoing renovation project taking place at Beatty Warren Middle School. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities and must be spent within three years. Interest is at 5.138%.

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

Series of 2012

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount of \$23,180,000 in the 2013 fiscal year. The bond was issued to finance the ongoing renovation projects district-wide. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities. Interest is at 4.185%.

Series of 2015

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount of \$8,449,000 in the 2016 fiscal year. The bond was issued to finance the ongoing renovation projects for Warren High School. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities. Interest is at 1.43%.

Series of 2016

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount of \$2,522,000 in the 2017 fiscal year. The bond was issued to finance the ongoing renovation projects for Warren Area High School. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities. Interest is at 0.00%.

Under the QZAB program, substantially all interest expense is reimbursed by the federal government.

Series of 2017 A

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount of \$2,478,000 in the 2018 fiscal year. The bond was issued to finance the ongoing renovation projects for Warren Area High School. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities. Interest is at 0.00%.

Under the QZAB program, substantially all interest expense is reimbursed by the federal government.

Series of 2017 B

The District issued a QZAB Bond through the Pennsylvania Department of Education in the amount of \$5,000,000 in the 2018 fiscal year. The bond was issued to finance the ongoing renovation projects for Warren County Career Center. One hundred percent of the available project proceeds must be used for renovation, repair or rehabilitation of existing public-school facilities. Interest is at 0.00%.

Under the QZAB program, substantially all interest expense is reimbursed by the federal government.

NOTE 8 – NONCURRENT LIABILITIES (CONTINUED)

The changes in noncurrent liabilities for the year ended June 30, 2021 consist of the following:

	Balance at June 30, 2020	Increases	Decreases	Balance at June 30, 2021	Due in One Year
QZAB Bond Series of					
2011	\$ 16,200,000	\$ -	\$ -	\$ 16,200,000	\$ 950,000
2012	23,180,000	-	-	23,180,000	1,830,000
2015	8,449,000	-	-	8,449,000	5,000
2017 A	2,064,000	-	(172,000)	1,892,000	172,000
2017 B	4,152,000	-	(346,000)	3,806,000	346,000
General Obligation Bonds, Series of					
2013	85,000	-	(5,000)	80,000	5,000
2014	315,000	-	(5,000)	310,000	5,000
2015	2,721,000	-	(658,000)	2,063,000	673,000
2016	2,050,000	-	(159,000)	1,891,000	168,000
2017	9,910,000	-	(5,000)	9,905,000	5,000
2018	8,450,000	-	(5,000)	8,445,000	5,000
2019	9,915,000	-	(30,000)	9,885,000	35,000
2019 Series A	9,955,000	-	(40,000)	9,915,000	45,000
	<u>97,446,000</u>	<u>-</u>	<u>(1,425,000)</u>	<u>96,021,000</u>	<u>4,244,000</u>
Compensated Absences					
Sick pay	641,483	-	(19,346)	622,137	292,268
Vacation Pay	75,120	-	(3,860)	71,260	32,474
	<u>716,603</u>	<u>-</u>	<u>(23,206)</u>	<u>693,397</u>	<u>324,742</u>
	<u>98,162,603</u>	<u>\$ -</u>	<u>\$ (1,448,206)</u>	<u>96,714,397</u>	<u>\$ 4,568,742</u>
Less: Current Portions	<u>(4,484,742)</u>			<u>(324,742)</u>	
	<u>\$ 93,677,861</u>			<u>\$ 96,389,655</u>	

The following is a summary of future debt service requirements to maturity for General Obligation Bonds:

June 30,	Sinking Fund	Principal	Interest	Total
2022	\$ 2,785,000	\$ 1,459,000	\$ 3,132,575	\$ 7,376,575
2023	2,840,000	1,481,000	3,115,630	7,436,630
2024	2,905,000	1,514,000	3,097,990	7,516,990
2025	3,740,000	845,000	3,086,037	7,671,037
2026	3,300,000	1,395,000	3,075,002	7,770,002
2027-2031	9,145,000	14,317,000	13,878,936	37,340,936
2032-2036	8,865,000	13,761,000	7,806,938	30,432,938
2037-2040	2,824,000	13,420,000	1,163,636	17,407,636
Sinking fund balance	<u>11,425,000</u>	<u>-</u>		<u>11,425,000</u>
	<u>\$ 47,829,000</u>	<u>\$ 48,192,000</u>	<u>\$ 38,356,744</u>	<u>\$ 134,377,744</u>

NOTE 9 – RETIREMENT PLAN

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public-School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of credited service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are effected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$10,532,531 for the year ended June 30, 2021.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

At June 30, 2021, the School District reported a liability of \$105,568,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2019 to June 30, 2020. The School District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2021, the School District’s proportion was .2144%, which was a decrease of .0011% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized pension expense of \$8,884,299. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 508,000	\$ 2,827,000
Changes in assumptions	482,000	-
Difference between projected and actual investment earnings	3,875,000	119,000
Changes in proportions and the effect of certain employer contributions on employer's net pension liability	479,000	1,478,000
Contributions subsequent to the measurement date	<u>10,532,531</u>	<u>-</u>
Balance at June 30, 2021	<u>\$ 15,876,531</u>	<u>\$ 4,424,000</u>

\$10,532,531 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 9 – RETIREMENT PLAN (CONTINUED)

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 1,876,000
2023	(1,419,000)
2024	<u>(1,377,000)</u>
Total	<u>\$ (920,000)</u>

Actuarial Assumptions

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.25% - includes inflation at 2.75%.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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 benefit payments to determine the total pension liability.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	Net Pension Liability 1% Decrease - 6.25%	Net Pension Liability Current Discount Rate - 7.25%	Net Pension Liability 1% Increase - 8.25%
District's proportionate share of the net pension liability	\$ 130,610,000	\$ 105,568,000	\$ 84,354,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System’s website at www.psers.pa.gov.

Payable to PSERS

The School District has an outstanding payable to PSERS for employer contributions as of June 30, 2021 in the amount of \$3,771,382. The payable is due to legally required pension contributions.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note 9, the School District provides post-employment health insurance and prescription drug benefits through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the School Board and Pennsylvania Act 110. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the School District’s General Fund.

Benefit coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2021, 38 retired employees are covered under the Plan. The School District’s expenses for benefits were \$361,026 in the year ended June 30, 2021.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

A. Act 93 Administrators

Eligibility: Administrators retiring under the normal retirement requirements of PSERS, at age 55 or older with at least 20 years of PSERS service, at least 10 years of consecutive service with the Warren County School District, and who qualify to receive \$50 per unused sick day at retirement (10 years of service with WSCD).

Coverage: Eligible retired administrators and their dependents.

Benefits:

- Option 1 – Retirees Use Sick Day Payment for Post-Retirement Medical Coverage

Covered individuals receive medical coverage until the earlier of the retiree's death or 65th birthday.

- Option 2 – Retirees Keep Sick Day Payment

Covered individuals receive medical coverage until the earlier of the retiree's death or 65th birthday. Medical coverage shall be provided at the premium rate in effect at retirement.

Retiree Contributions:

- Option 1 – Retirees Use Sick Day Payment for Post-Retirement Medical Coverage

Retirees contribute a flat amount per month. The monthly contribution, calculated at retirement, for individual coverage is equal to the retiree's net sick day payout at retirement divided by the number of unused sick and personal days accumulated and multiplied by 4 if the retiree had 10-14 years of service at retirement, by 3 if the retiree had 15-24 years of service at retirement, or by 2 if the retiree had 24-29 years of service at retirement. The monthly contribution for employee/spouse coverage is equal to approximately 1.5 times the amount determined for individual coverage. The monthly contribution for parent/child or family coverage is equal to twice the amount determined for individual coverage. In no event will the retiree contribution be less than the PSERS subsidy received by the retiree. The lesser of the net payout or the monthly contribution multiplied by the number of months until the retiree's 65th birthday must be paid to the District at the time of retirement.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Option 2 – Retirees Keep Sick Day Payment

Any medical insurance premium cost in excess of the premium paid by the District at retirement (net of employee contributions) must be reimbursed to the District by the retiree. In no event will the retiree contribution be less than the PSERS subsidy received by the retiree.

Death of Retiree:

- Option 1 – Retirees Use Sick Day for Post-Retirement Medical Coverage

If the retiree dies prior to reaching age 65, his/her beneficiary will receive the balance of the retiree's contributions. The retiree's spouse would then be offered COBRA coverage for a period of 3 years.

- Option 2 – Retirees Keep Sick Day Payment

Upon the death of a covered retiree, coverage for the retiree's spouse and dependents shall end.

Medical Plans Available: PPO

B. Teachers/Certificated Employees

Eligibility: Teachers/Certificated Employees hired before July 1, 2020 and retiring after attaining age 55 and completing 30 years of PSERS service who qualify to receive \$50 per unused sick day at retirement (25 years of service with WCSD) may receive the choice of Option 1 or 2 below.

Teachers/Certificated Employees retiring under the normal retirement requirements of PSERS, or retiring other than under the normal retirement requirements of PSERS provided the retiree has more than 25 years of PSERS service including 10 with the Warren County School District (no restriction on hire date) may receive Option 3 below.

Coverage: Eligible retired teachers and their dependents.

Benefits:

- Option 1 – Retirees Use Sick Day Payment for Post-Retirement Medical Coverage

Covered individuals receive medical coverage until the earlier of the retiree's death or 65th birthday

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Option 2 – Retirees Keep Sick Day Payment

Covered individuals receive medical coverage until the earlier of the retiree's death or 65th birthday. Medical coverage shall be provided at the premium share in effect at retirement.

- Option 3 – Covered individuals may remain on the District's medical plan until age 65, but must reimburse the District for the cost of such coverage.

Retiree Contributions:

- Option 1 – Retirees Use Sick Day Payment for Post-Retirement Medical Coverage

Retirees contribute a flat amount per month. The monthly contribution, calculated at retirement, for individual or employee/spouse coverage is equal to the retiree's net sick day payout at retirement divided by the number of unused sick and personal days accumulated. The monthly contribution for employee/spouse and parent/child coverage is equal to 1.5 times the individual contribution amount. The monthly contribution for parent/children or family coverage is equal to twice the individual contribution amount. The lesser of the net payout or the monthly premium multiplied by the number of months until the retiree's 65th birthday must be paid to the District at the time of retirement. Additionally, the retiree will pay the difference between the subsidy the employee is eligible to receive under PSERS and the monthly contribution.

- Option 2 – Retirees Keep Sick Day Payment

Any medical insurance premium cost in excess of the premium paid by the District at retirement must be reimbursed to the District by the retiree. In no event will the payment be less than the subsidy the employee is eligible for under PSERS.

- Option 3 – Reimburse the District for the total cost of such coverage.

Death of Retiree:

- Option 1 – Retirees Use Sick Day Payment for Post-Retirement Medical Coverage

If the retiree dies prior to reaching age 65, his/her beneficiary will receive the balance of the retiree's contributions. The retiree's spouse would then be offered COBRA coverage for a period of 3 years.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

- Option 2 and Option 3

Upon the death of a covered retiree, coverage for the retiree's spouse and dependents shall end.

Medical Plans Available: PPO

C. Administrative Support Personnel

Eligibility: Administrative Support Personnel retiring at age 58 or older with 20 years of PSERS service, with at least 10 years of service with the Warren County School District.

Coverage: Eligible retired non-professional staff and their dependents.

Benefits: Covered individuals receive medical coverage until the earliest of the retiree's death or the retiree's Medicare eligibility. Medical coverage shall be provided at the premium rate in effect on the date of retirement.

Retiree Contributions: The amount of medical insurance premium in excess of the rate in effect at retirement must be reimbursed to the District by the retiree.

Non-Covered Retirees: Administrative Support Personnel who retire under the normal or disability provisions of PSERS who are not eligible for District-paid coverage may remain on the District's medical plan but must pay the District the full premium for such coverage.

Death of Retiree: Upon the death of the covered retiree, coverage for the retiree's spouse and dependents shall end.

Medical Plans Available: PPO

D. Educational Support Personnel

Eligibility: Educational Support Personnel hired before July 1, 2020 who retire at age 58 or older with 20 years of PSERS service, and with at least 10 years of service with the Warren County School District.

Coverage: Eligible retired non-professional staff and their dependents.

Benefits: Covered individuals receive medical coverage until the earliest of the retiree's death or the retiree's Medicare eligibility. Medical coverage shall be provided to Class A and B employees at the premium rate in effect on July 1, 1994 and to Class C employees at 60% of the rate in effect on July 1, 1994.

Retiree Contributions: The amount of medical insurance premium in excess of the rate (or 60% of the rate for Class C employees) in effect on July 1, 1994 must be reimbursed to the District by the retiree.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Non-Covered Retirees: Educational Support Personnel who retire under the normal or disability provisions of PSERS who are not eligible for District-paid coverage may remain on the District's medical plan but must pay the District the full premium for such coverage.

Death of Retiree: Upon the death of the covered retiree, coverage for the retiree's spouse and dependents shall end.

Medical Plans Available: PPO

Actuarial Assumptions and Methods

A. Economic

1. Annual Trend Rates: 5.0%
2. Inflation: 2.75%
3. Discount Rate 2.30% per year.

The discount rate was based on the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher

B. Demographic

1. Death after Retirement: RP-2014 Mortality Table
2. Mortality Improvement: Rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report.
3. Coverage Election
(Future Retirees):
 - a. Administrators and Teachers: 65% husband/wife, 35% individual
 - b. Administrative and Educational Support: 100% individual(Current Retirees):
 - a. Continuation of current coverage level for duration of eligibility
4. Covered Children: One covered child of current retirees with family coverage is assumed to be eligible for coverage until the earlier of the retiree's death or Medicare eligibility.
5. Spouses: Spouses are assumed to be opposite sex. Male spouses are assumed to be 3 years older than female spouses.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

6. Separations from Service:

- a. Turnover (Withdrawal): Based upon rates of withdrawal used in the PSERS actuarial valuation as of June 30, 2018
- b. Disability: None assumed
- c. Retirement: Rates of retirement based on age as follows:
 - 55-56: 25% 62: 60%
 - 57-59: 50% 63: 50%
 - 60-61: 30% 64 and later: 100%
- d. Death: RP-2014 Mortality Table
Mortality Impact: Rates derived from the long-range demographic assumptions for the 2015 Social Security Administration Trustee Report.

7. PSERS Service: Participants who meet the age and District service requirements for OPEB eligibility are assumed to have enough PSERS service for OPEB eligibility as well.

8. Sick Day Payout Eligibility:

- Administrators: 100% of future retirees.
- Teachers: 100% of future retirees hired before July 1, 2020
- Administrative and Educational Support: Not applicable

9. Sick Day Conversion:

- a. Election: 70% of those eligible to convert unused sick day payment into retiree medical contributions are assumed to do so. 30% are assumed to keep their payout and pay increases in premium after retirement.
- b. Duration: Sick day balance is assumed to be large enough to pay the calculated retiree contribution through Medicare eligibility.

10. Eligibility for OPEB: Eligibility described in Section 3, with the exception of Administrators who are assumed to retire at age 55 or older with at least 20 years of PSERS Service, at least 15 years of consecutive service with Warren County School District, and with qualification to receive \$50 per unused sick day at retirement.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

C. Annual Premium Costs and Other Assumptions

1. Initial Annual Cost: As of the valuation date, costs for medical (including prescription drug) coverage are developed starting from the applicable actual premium schedules in effect.
2. Premium Schedules as of July 1, 2020: The following are the annual reported applicable rates for PPO medical (including prescription drug) coverage:

	<u>Administrators</u>	<u>Education Support and Admin. Support</u>	<u>Teachers</u>
Single	\$ 6,970	\$ 7,106	\$ 6,754
Parent/Child(ren)	\$ 16,249	\$ 16,584	\$ 15,704
Husband/Wife	\$ 18,912	\$ 19,290	\$ 18,319
Family	\$ 19,562	\$ 19,950	\$ 18,957

3. Age Adjustments:

Medical costs are projected with age-adjusted rates derived from the 2020 premium schedule for the PPO plan provided to Administrators. Since premiums do not reflect a retiree-only group and tend to increase significantly by age, GASB #75 requires an age adjustment. Accordingly, age-adjusted per person costs per year were estimated by age. Illustrative annual rates are:

<u>Age</u>	<u>Per Person Cost</u>
Child	\$ 2,814
45	\$ 6,155
50	\$ 7,504
55	\$ 9,380
60	\$ 11,431
64	\$ 12,956

Since the above costs were derived from the Administrators premium schedule, they were increased by 2% for Support staff and reduced by 3% for Teachers.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Cost Method:

The actuarial costs for this valuation are determined under the Entry Age Normal Actuarial Cost Method as described in Paragraph 42 of GASB #75. The Actuarial Present Value of the Projected Benefits of each individual is allocated as a level percentage of pay between entry age and assumed exit age(s) for health care costs. Pays are assumed to increase over that period as the assumed rate of inflation. Entry age is calculated based upon the date of hire. Assumed exit ages are based upon the actuarial assumptions as to termination, disability, death or retirement.

The portion of this Actuarial Present Value allocated to a single valuation year is called the Normal Cost. The accumulation of normal costs prior to the current valuation year is the current Actuarial Accrued Liability. Actuarial Accrued Liability is thus also the portion of Actuarial Present Value of the Projected Benefits not provided by the Actuarial Present Value of Future Normal Costs.

Under this method, the Actuarial Gains (Losses), as they occur, reduce (increase) the Actuarial Accrued Liability.

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 24,808,865</u>	<u>\$ 28,150,731</u>	<u>\$ 32,074,683</u>

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 30,732,501</u>	<u>\$ 28,150,731</u>	<u>\$ 25,755,310</u>

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Schedule of Changes in Net OPEB Liability

<u>Total OPEB Liability</u>	<u>General Fund</u>
Service cost	\$ 1,518,045
Benefit payments	(742,672)
Interest	641,306
Changes in benefit terms	-
Changes in assumptions or other inputs	2,762,578
Differences between expected and actual experience	<u>(1,589,117)</u>
Net change in total OPEB liability	2,590,140
Total OPEB Liability - Fiscal Year Beginning	<u>25,560,591</u>
Total OPEB Liability - Fiscal Year Ending	<u>28,150,731</u>
Plan Fiduciary Net Position	<u>-</u>
Net OPEB Liability	<u><u>\$ 28,150,731</u></u>

For the year ended June 30, 2021, the School District recognized OPEB expenses of \$2,162,854. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 178,877	\$ 1,410,565
Changes of assumptions	<u>2,452,176</u>	<u>859,110</u>
	<u><u>\$ 2,631,053</u></u>	<u><u>\$ 2,269,675</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 3,503
2023	3,503
2024	3,503
2025	3,503
2026	3,503
Thereafter	<u>343,863</u>
	<u><u>\$ 361,378</u></u>

NOTE 11 – OPEB – PSERS PREMIUM ASSISTANCE PLAN

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance Program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public-school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

NOTE 11 – OPEB – PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2021 was .82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$259,713 for the year ended June 30, 2021.

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

At June 30, 2021, the School District reported a liability of \$4,620,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School District's proportion was .2138%, which was a decrease of .0017% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the School District recognized OPEB expense of \$179,284. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 57,000	\$ -
Changes in assumptions	252,000	278,000
Net difference between projected and actual investment earnings	16,000	-
Changes in proportion	73,000	135,000
Contributions subsequent to the measurement date	259,713	-
	<u>\$ 657,713</u>	<u>\$ 413,000</u>

NOTE 11 – OPEB – PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

\$759,713 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 49,000
2023	51,000
2024	(49,000)
2025	(28,000)
2026	<u>(8,000)</u>
	<u>\$ 15,000</u>

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020 was determined by rolling forward the System’s Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.66% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$ 1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.

NOTE 11 – OPEB – PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short-term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan’s policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>OPEB- Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	50.3%	-1.0%
U.S. Core Fixed Income	46.5%	-0.1%
Non-U.S. Developed Fixed	3.2%	-0.1%
	<u>100.0%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. Under the plan’s funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a “pay-as-you-go” plan. A discount rate of 2.66%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

NOTE 11 – OPEB – PSERS PREMIUM ASSISTANCE PLAN (CONTINUED)

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020 retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends, as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Dollar Amounts in Thousands</u>		
	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
System Net OPEB Liability	<u>\$ 4,619,000</u>	<u>\$ 4,620,000</u>	<u>\$ 4,620,000</u>

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>1.66%</u>	<u>2.66%</u>	<u>3.66%</u>
District's proportionate share of the net OPEB liability	<u>\$ 5,267,000</u>	<u>\$ 4,620,000</u>	<u>\$ 4,083,000</u>

OPEB Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System’s website at www.psers.pa.gov.

NOTE 12 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees for which the District purchases commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to prior years.

NOTE 13 – CONTINGENT LIABILITIES

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the District believes such amounts to be immaterial. The District may also be subject to claims by creditors, employees or others. The District does not believe that liabilities arising from such claims, if any, are significant and no accrual for such claims has been made.

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The School District has evaluated subsequent events through December 1, 2021 the date which the financial statements were available to be issued.

Required Supplementary Information

WARREN COUNTY SCHOOL DISTRICT
Post – Employment Benefits
Other Than Pension Benefits
Schedule of Funding Progress

The schedule of funding progress for the post-employment benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2020	N/A	\$26,734,052	\$26,734,052	0.00%	\$ 28,431,102	94%
July 1, 2018	N/A	23,525,557	23,525,557	0.00%	27,097,600	86%
July 1, 2016	N/A	23,470,244	23,470,244	0.00%	26,677,892	87%

WARREN COUNTY SCHOOL DISTRICT
Schedules of Required Supplementary Information
Schedule of the School District's Proportionate Share
of the Net Pension Liability
PSERS

	2021	2020	2019	2018	2017	2016	2015	2014
School District's proportion of the net pension liability (asset)	0.2144%	0.2155%	0.2177%	0.2208%	0.2180%	0.2177%	0.2280%	0.2252%
School District's proportionate share of the net pension liability (asset)	\$ 105,568,000	\$ 100,817,000	\$ 104,507,000	\$ 109,050,000	\$ 108,034,000	\$ 94,297,000	\$ 90,244,000	\$ 92,188,000
School District's covered employee payroll	\$ 30,011,331	\$ 29,947,647	\$ 29,718,134	\$ 29,320,340	\$ 29,127,801	\$ 28,246,574	\$ 28,015,167	\$ 29,090,383
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	351%	336%	352%	372%	371%	334%	322%	317%
Plan fiduciary net position as a percentage of the total pension liability	54%	56%	54%	52%	50%	54%	57%	54%

WARREN COUNTY SCHOOL DISTRICT
Schedules of Required Supplementary Information
Schedule of School District's Contributions
PSERS

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 10,532,531	\$ 10,174,349	\$ 9,935,546	\$ 9,605,581	\$ 8,797,204	\$ 7,379,855	\$ 6,080,730	\$ 4,938,184
Contributions in relation to the contractually required contribution	<u>10,532,531</u>	<u>10,174,349</u>	<u>9,935,546</u>	<u>9,605,581</u>	<u>8,797,204</u>	<u>7,379,855</u>	<u>6,080,730</u>	<u>4,938,184</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	\$ 30,011,331	\$ 29,947,647	\$ 29,718,134	\$ 29,320,340	\$ 29,127,801	\$ 28,246,574	\$ 28,015,167	\$ 29,090,383
Contributions as a percentage of covered employee payroll	35.10%	33.97%	33.43%	32.76%	30.20%	26.13%	21.71%	16.98%

WARREN COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information and Net Pension Liability
June 30, 2021

In 2021, there were no changes in actuarial assumptions from the previous year report.

WARREN COUNTY SCHOOL DISTRICT
Postemployment Benefit Plan
Fiscal Year Ending June 30, 2021

Required Supplementary Information

<u>Fiscal Year Ending</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 1,518,045	\$ 1,177,827	\$ 1,146,304	\$ 1,190,361
Benefit payments	(742,672)	(1,043,747)	(974,131)	(1,272,659)
Interest	641,306	882,167	846,614	734,909
Changes in benefit terms	-	-	-	-
Changes in assumptions or other inputs	2,762,578	-	(1,345,401)	-
Differences between expected and actual experience	(1,589,117)	-	280,127	-
Net change in total OPEB liability	2,590,140	1,016,247	(46,487)	652,611
Total OPEB Liability - Fiscal Year Beginning	<u>25,560,591</u>	<u>24,544,344</u>	<u>24,590,831</u>	<u>23,938,220</u>
Total OPEB Liability - Fiscal Year Ending	<u>\$ 28,150,731</u>	<u>\$ 25,560,591</u>	<u>\$ 24,544,344</u>	<u>\$ 24,590,831</u>
Covered-employee payroll	\$ 28,431,102	\$ 29,947,647	\$ 29,712,376	\$ 26,677,892
Total OPEB liability as a percentage of Covered-employee payroll	99%	85%	83%	92%

WARREN COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information
Postemployment Benefits Plan
June 30, 2021

There were no changes in actuarial assumptions from the previous year report that impact the Required Supplementary Information.

WARREN COUNTY SCHOOL DISTRICT
Schedules of Required Supplementary Information
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE OPEB PREMIUM ASSISTANCE LIABILITY
PSERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the OPEB Premium Assistance liability (asset)	0.2138%	0.2155%	0.2177%	0.2208%
School District's proportionate share of the OPEB Premium Assistance liability (asset)	\$ 4,620,000	\$ 4,583,000	\$ 4,539,000	\$ 4,499,000
School District's covered employee payroll	\$ 30,011,331	\$ 29,947,647	\$ 29,718,134	\$ 29,320,340
School District's proportionate share of the OPEB Premium Assistance liability (asset) as a percentage of its covered employee payroll	15%	15%	15%	15%
Plan fiduciary net position as a percentage of the total OPEB Premium Assistance liability	5.56%	5.56%	5.56%	5.73%

WARREN COUNTY SCHOOL DISTRICT
Schedules of Required Supplementary Information
SCHEDULE OF SCHOOL DISTRICT OPEB CONTRIBUTIONS
PSERS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 259,713	\$ 247,284	\$ 252,363	\$ 243,982
Contributions in relation to the contractually required contribution	<u>259,713</u>	<u>247,284</u>	<u>252,363</u>	<u>243,982</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	\$ 30,011,331	\$ 29,947,647	\$ 29,718,134	\$ 29,320,340
Contributions as a percentage of covered employee payroll	0.87%	0.83%	0.85%	0.83%

WARREN COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information – OPEB Premium Assistance
June 30, 2021

In 2021, there were no changes in actuarial assumptions from the previous year report that impact the Required Supplementary Information.



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
Warren County School District
Warren, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Warren County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Warren County School District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Warren County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warren County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren County School District's internal control.

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

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

**Independent Auditors' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Warren County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

December 1, 2021
Erie, Pennsylvania



FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

To the Members of the Board
Warren County School District
Warren, Pennsylvania

Report on Compliance for each Major Federal Program

We have audited Warren County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Warren County School District's major federal programs for the year ended June 30, 2021. Warren County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Warren County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Warren County School District's compliance.

**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control Over Compliance Required by
The Uniform Guidance
(Continued)**

Opinion on Each Major Federal Program

In our opinion, Warren County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Warren County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Warren County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County 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, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.



Felix and Gloekler, P.C.

December 1, 2021
Erie, Pennsylvania

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WARREN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Thru Grantor's Number	Grant Period Beginning/ Ending Date
<u>U.S. Department of Education</u>				
Passed Through the Pennsylvania Department of Education				
Title I				
Title I	I	84.010	13-20-0459	7/1/19 - 9/30/20
Title I	I	84.010	13-21-0459	7/1/20 - 9/30/21
Total CFDA # 84.010				
Title II Improving Teacher Quality	I	84.367	20-20-0459	7/1/19 - 9/30/20
Title II Improving Teacher Quality	I	84.367	20-21-0459	7/1/20 - 9/30/21
Total CFDA # 84.367				
Title IV Student Support and Enrichment	I	84.424	144-20-0459	7/1/19 - 9/30/20
Title IV Student Support and Enrichment	I	84.424	144-21-0459	7/1/20- 9/30/21
Total CFDA # 84.424				
Twenty First Century Community Learning Centers	I	84.287	N/A	7/1/19 - 9/30/20
Twenty First Century Community Learning Centers	I	84.287	N/A	7/1/20 - 9/30/21
Total CFDA # 84.287				
Career and Technical Education	I	84.048	N/A	7/1/19 - 9/30/20
Career and Technical Education	I	84.048	N/A	7/1/20 - 9/30/21
Total CFDA # 84.048				
Passed Through Northwest Tri-County I.U. #5				
Special Education Cluster				
IDEA Part B	I	84.027	N/A	7/1/19 - 9/30/20
IDEA Part B	I	84.027	N/A	7/1/20 - 9/30/21
Total IDEA Part B				
IDEA Part C	I	84.181	N/A	7/1/20 - 9/30/21
Total CFDA # 84.181				
Total Passed Through Northwest Tri-County I.U. #5				
Total Special Education Cluster				
Impact Aid	D	84.041	N/A	7/1/20 - 9/30/21
Rural Education	I	84.358	007-20-0459	7/1/19 - 9/30/20
Rural Education	I	84.358	007-21-0459	7/1/20 - 9/30/21
Total CFDA # 84.358				
CARES Act - ESSER I Grant	I	84.425D	200-20-0459	7/1/20 - 6/30/21
CARES Act - ESSER II Grant	I	84.425D	N/A	7/1/20 - 6/30/22
CARES Act - COVID-19 SECIM	I	84.425C	252-20-0459	7/1/20 - 6/30/21
CARES Act - GEERs CEEG	I	84.425C	253-20-0459	7/1/20 - 6/30/21
CARES Act - GEERs CEEG	I	84.425C	354-21-0002	7/1/20 - 6/30/21
CARES Act - GEERs II CEEG	I	84.425C	N/A	7/1/20 - 6/30/21
Total CFDA # 84.425				
Total U.S. Department of Education				

The accompanying notes are an integral part of this schedule.
Schedule continued on next page.

Total Received for the Year	Accrued/ (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
\$ 231,047	\$ 203,122	\$ 27,925	\$ 27,925	\$ -	\$ -
1,435,443	-	1,613,177	1,613,177	177,734	-
1,666,490	203,122	1,641,102	1,641,102	177,734	-
48,251	21,197	20,192	20,192	(6,862)	-
136,188	-	171,949	171,949	35,761	-
184,439	21,197	192,141	192,141	28,899	-
61,684	54,137	2,900	2,900	(4,647)	-
105,341	-	129,964	129,964	24,623	-
167,025	54,137	132,864	132,864	19,976	-
141,816	141,816	-	-	-	-
449,302	-	619,551	619,551	170,249	-
591,118	141,816	619,551	619,551	170,249	-
26,575	26,575	-	-	-	-
42,893	-	78,636	78,636	35,743	-
69,468	26,575	78,636	78,636	35,743	-
242,688	242,688	-	-	-	-
672,721	-	1,062,973	1,062,973	390,252	-
915,409	242,688	1,062,973	1,062,973	390,252	-
14,654	-	14,654	14,654	-	-
14,654	-	14,654	14,654	-	-
930,063	242,688	1,077,627	1,077,627	390,252	-
930,063	242,688	1,077,627	1,077,627	390,252	-
123,667	-	123,667	123,667	-	-
6,939	6,377	562	562	-	-
73,489	-	80,169	80,169	6,680	-
80,428	6,377	80,731	80,731	6,680	-
900,669	-	1,416,314	1,416,314	515,645	-
-	-	62,127	62,127	62,127	-
40,794	-	40,794	40,794	-	-
59,000	-	58,946	58,946	(54)	-
27,741	-	27,741	27,741	-	27,741
-	-	20,936	20,936	20,936	-
1,028,204	-	1,626,858	1,626,858	598,654	27,741
4,840,902	695,912	5,573,177	5,573,177	1,428,187	27,741

The accompanying notes are an integral part of this schedule.
Schedule continued on next page.

WARREN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021
(Continued)

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Thru Grantor's Number	Grant Period Beginning/ Ending Date
<u>US Department of Treasury</u>				
Passed through the Pennsylvania Commission on Crime and Delinquency				
COVID-19 Disaster Emergency School Health and Safety Grants	I	21.019	N/A	7/1/20 - 6/30/21
COVID-19 Disaster Emergency School Health and Safety Grants	I	21.019	N/A	7/1/20 - 6/30/21
COVID-19 Disaster Emergency School Health and Safety Grants	I	21.019	N/A	7/1/20 - 6/30/21
Total U.S. Department of Treasury				
<u>U.S. Department of Agriculture</u>				
Passed Through the Pennsylvania Department of Agriculture				
National School Lunch	I	10.555	N/A	7/1/20 - 6/30/21
Passed Through the Pennsylvania Department of Education				
Nutrition Cluster				
National School Lunch	I	10.555	N/A	7/1/20 - 6/30/21
Subtotal				
National School Breakfast	I	10.553	N/A	7/1/20 - 6/30/21
Subtotal				
Summer Food	I	10.559	N/A	7/1/19 - 9/30/20
Summer Food	I	10.559	N/A	7/1/20 - 9/30/21
Subtotal				
Total Nutrition Cluster				
Fresh Fruit and Vegetable Program	I	10.582	N/A	7/1/20 - 6/30/21
Total Passed Through Pennsylvania Department of Education				
Passed Through Warren County				
Schools/Roads - Grants/State	I	10.665	N/A	10/1/20 - 9/30/21
Total U.S. Department of Agriculture				
<u>U.S. Department of Health and Human Services</u>				
Passed Through the Pennsylvania Department of Public Welfare				
Medicaid Cluster				
Medical Assistance-Admin	I	93.778	N/A	7/1/19 - 9/30/20
Medical Assistance-Admin	I	93.778	N/A	7/1/20 - 9/30/21
Total CFDA # 93.778				
Total Department of Health and Human Services				
Total Federal Awards				

Source Code: D = Direct Funding I = Indirect Funding

Total Received for the Year	Accrued/ (Deferred) Revenue at July 1, 2020	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2021	Passed Through to Subrecipients
\$ 90,000	\$ -	\$ 90,000	\$ 90,000	\$ -	\$ -
299,863	-	299,863	299,863	-	-
<u>118,120</u>	<u>-</u>	<u>120,803</u>	<u>120,803</u>	<u>2,683</u>	<u>-</u>
<u>507,983</u>	<u>-</u>	<u>510,666</u>	<u>510,666</u>	<u>2,683</u>	<u>-</u>
\$ 114,141	\$ -	\$ 114,141	\$ 114,141	-	\$ -
22,712	-	23,972	23,972	1,260	-
<u>136,853</u>	<u>-</u>	<u>138,113</u>	<u>138,113</u>	<u>1,260</u>	<u>-</u>
3,930	-	3,930	3,930	-	-
<u>3,930</u>	<u>-</u>	<u>3,930</u>	<u>3,930</u>	<u>-</u>	<u>-</u>
98,506	98,506	-	-	-	-
<u>2,038,719</u>	<u>-</u>	<u>2,463,462</u>	<u>2,463,462</u>	<u>424,743</u>	<u>-</u>
<u>2,137,225</u>	<u>98,506</u>	<u>2,463,462</u>	<u>2,463,462</u>	<u>424,743</u>	<u>-</u>
<u>2,278,008</u>	<u>98,506</u>	<u>2,605,505</u>	<u>2,605,505</u>	<u>426,003</u>	<u>-</u>
<u>49,377</u>	<u>-</u>	<u>72,892</u>	<u>72,892</u>	<u>23,515</u>	<u>-</u>
<u>2,327,385</u>	<u>98,506</u>	<u>2,678,397</u>	<u>2,678,397</u>	<u>449,518</u>	<u>-</u>
<u>260,667</u>	<u>-</u>	<u>260,667</u>	<u>260,667</u>	<u>-</u>	<u>-</u>
<u>2,588,052</u>	<u>98,506</u>	<u>2,939,064</u>	<u>2,939,064</u>	<u>449,518</u>	<u>-</u>
22,087	22,087	-	-	-	-
<u>20,207</u>	<u>-</u>	<u>49,869</u>	<u>49,869</u>	<u>29,662</u>	<u>-</u>
<u>42,294</u>	<u>22,087</u>	<u>49,869</u>	<u>49,869</u>	<u>29,662</u>	<u>-</u>
<u>42,294</u>	<u>22,087</u>	<u>49,869</u>	<u>49,869</u>	<u>29,662</u>	<u>-</u>
<u>\$ 7,979,231</u>	<u>\$ 816,505</u>	<u>\$ 9,072,776</u>	<u>\$ 9,072,776</u>	<u>\$ 1,910,050</u>	<u>\$ 27,741</u>

WARREN COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Warren County School District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented 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 Warren County School District.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

Warren County School District uses the 10-percent de minimis indirect cost rates for certain grants that allow it and has elected not to use the 10-percent de minimis indirect cost rates for all other grants under the Uniform Guidance.

WARREN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

1. Summary of Auditors' Results:

i. Type of auditors' report issued on the financial statements: Unmodified opinion.

ii. Internal control over financial reporting:

Material weakness(es) identified -	None.
Significant deficiency(ies) identified -	None reported.

iii. The audit disclosed no noncompliance which is material to the financial statements.

iv. Internal control over major programs:

Material weakness(es) identified -	None.
Significant deficiency(ies) identified -	None reported.

v. Type of auditors' report issued on compliance for major programs: Unmodified opinion.

vi. The audit disclosed no findings which are required to be reported in accordance with Section 2 CFR 200.516(a).

vii. Major federal programs:

ESSER I and II	84.425D
COVID-19 SECIM/GEERs	84.425C
COVID-19 Disaster Emergency School Health and Safety Grant	21.019

viii. Dollar threshold used to distinguish between type A and type B programs: \$750,000.

ix. Warren County School District qualified as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None

3. Findings and questioned costs for Federal awards

None

WARREN COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

1. Prior significant deficiencies: None
2. Prior material noncompliance with provision of laws, regulations, contracts, or grant agreements related to a major program: None
3. Known questioned costs greater than \$25,000: None

WARREN COUNTY SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2021

Not applicable – no current year findings.

WARREN COUNTY SCHOOL DISTRICT
List of Audit Report Distribution
June 30, 2021

Copies

- 1 Bureau of Audits
Special Audit Services Division
Forum Place - 8th Floor
555 Walnut Street
Harrisburg, Pennsylvania 17101
Submitted electronically

- 1 Warren County Courthouse
Prothonotary's Office
Warren, Pennsylvania 16365

- 1 Federal Audit Clearinghouse
Submitted Electronically

- 1 Northwest Tri-County Intermediate Unit
252 Waterford Street
Edinboro, PA 16412