



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY**

SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2023

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Education
Western Reserve Local School District
3765 State Route 20 East
Collins, Ohio 44826

We have reviewed the *Independent Auditor's Report* of the Western Reserve Local School District, Huron County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Education
Western Reserve Local School District
3765 State Route 20 East
Collins, Ohio 44826

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Huron County, Ohio (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position 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.

Basis for Opinions

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

Responsibilities of Management 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; and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of net pension and OPEB liabilities/assets, and pension and OPEB contributions, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of the 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
December 21, 2023

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The management's discussion and analysis of the Western Reserve Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2023 are as follows:

- Net position of governmental activities increased \$1,515,448 which represents an increase of 24.07% from June 30, 2022's restated net position.
- General revenues accounted for \$12,801,172 in revenue or 75.23% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,214,625 or 24.77% of total revenues of \$17,015,797.
- The District had \$15,500,349 in expenses related to governmental activities; \$4,214,625 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,801,172 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$13,461,498 in revenues and \$13,294,523 in expenditures and other financing uses. During fiscal year 2023, the general fund's fund balance increased \$166,975 from a balance of \$4,091,497 to a balance of \$4,258,472.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund and only fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2023?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant fund. The District's major governmental fund is the general fund.

Governmental Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability/asset.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The table that follows provides a summary of the District's net position at June 30, 2023 and June 30, 2022. The net position as of June 30, 2022 has been restated as described in Note 3.

	Net Position	
	Governmental	Restated
	Activities	Governmental Activities
	2023	2022
<u>Assets</u>		
Current and other assets	\$ 12,361,487	\$ 10,871,220
Net OPEB asset	1,073,422	894,670
Capital assets, net	12,529,415	12,423,562
Total assets	25,964,324	24,189,452
<u>Deferred Outflows of Resources</u>		
Unamortized deferred charges on debt refunding	4,680	14,050
Pension	2,914,462	2,870,267
OPEB	241,383	246,865
Total deferred outflows of resources	3,160,525	3,131,182
<u>Liabilities</u>		
Current liabilities	1,869,328	1,359,730
Long-term liabilities:		
Due within one year	414,985	361,436
Net pension liability	11,393,895	6,892,826
Net OPEB liability	578,798	753,817
Other amounts	811,021	1,119,595
Total liabilities	15,068,027	10,487,404
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	3,088,878	2,756,524
Pension	1,383,814	6,007,911
OPEB	1,771,440	1,771,553
Total deferred inflows of resources	6,244,132	10,535,988
<u>Net Position</u>		
Net investment in capital assets	11,659,666	11,649,616
Restricted	1,342,913	1,325,856
Unrestricted (deficit)	(5,189,889)	(6,678,230)
Total net position (restated)	\$ 7,812,690	\$ 6,297,242

The net pension liability is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2023, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$7,812,690.

Total assets include a net OPEB asset reported by STRS. See Note 13 for more detail.

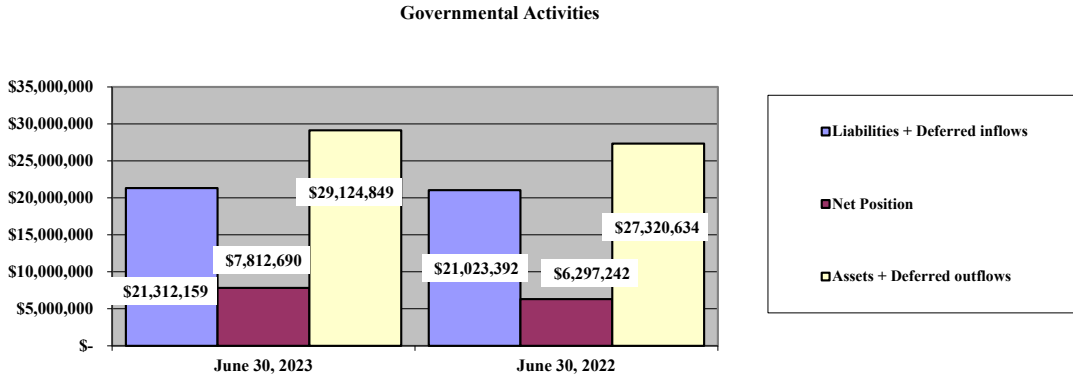
At fiscal year-end, capital assets represented 48.26% of total assets. Capital assets include land, land improvements, buildings and improvements, intangible right to use assets, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2023 was \$11,659,666. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

A portion of the District's net position, \$1,342,913, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$5,189,889.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2023 and June 30, 2022. The information for fiscal year 2022 has been restated as described in Note 3.



The table below shows the change in net position for fiscal years 2023 and 2022. The net position as of June 30, 2022 has been restated as described in Note 3.

	Change in Net Position	
	Governmental	Restated Governmental
	Activities	Activities
	<u>2023</u>	<u>2022</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 787,291	\$ 521,977
Operating grants and contributions	2,759,506	2,663,761
Capital grants and contributions	667,828	-
General revenues:		
Property taxes	3,328,404	4,199,142
School district income tax	2,604,586	2,433,621
Grants and entitlements	6,738,324	6,783,318
Investment earnings	73,772	(3,989)
Miscellaneous	56,086	55,370
	<u> </u>	<u> </u>
Total revenues	<u>\$ 17,015,797</u>	<u>\$ 16,653,200</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Change in Net Position (Continued)

	Governmental Activities	
	<u>2023</u>	Restated <u>2022</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,617,946	\$ 5,370,801
Special	1,974,841	1,780,756
Vocational	142,571	122,182
Other	245,405	160,361
Support services:		
Pupil	401,382	308,866
Instructional staff	1,030,747	890,733
Board of education	110,092	85,228
Administration	1,562,185	1,019,523
Fiscal	516,065	448,009
Business	20,349	24,669
Operations and maintenance	1,311,800	1,215,469
Pupil transportation	1,038,976	723,990
Central	159,454	181,289
Operation of non-instructional services		
Other non-instructional services	38,851	39,661
Food service operations	629,356	609,060
Extracurricular activities	684,421	627,266
Interest and fiscal charges	15,908	27,890
Total expenses	15,500,349	13,635,753
Change in net position	1,515,448	3,017,447
Net position at beginning of year (restated)	6,297,242	3,279,795
Net position at end of year	\$ 7,812,690	\$ 6,297,242

Governmental Activities

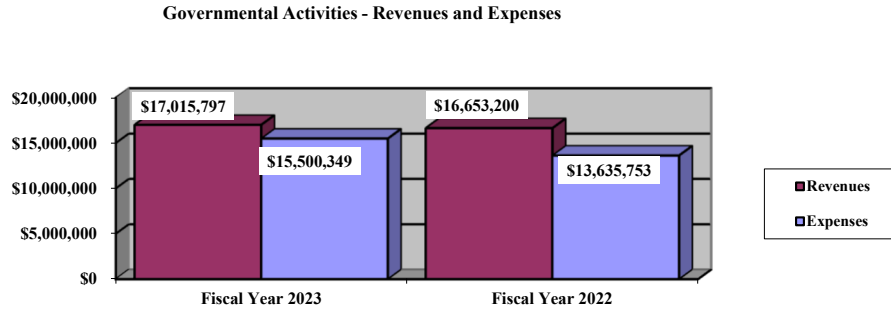
Net position of the District's governmental activities increased \$1,515,448. Total governmental expenses of \$15,500,349 were offset by program revenues of \$4,214,625 and general revenues of \$12,801,172. Program revenues supported 27.19% of the total governmental expenses. The primary sources of revenue for governmental activities are derived from property and income taxes, and unrestricted grants and entitlements. These revenue sources represent 74.47% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,980,763 or 51.49% of total governmental expenses for fiscal year 2023.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The graph on the following page presents the District's governmental activities revenue and expenses for fiscal year 2023 and 2022.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

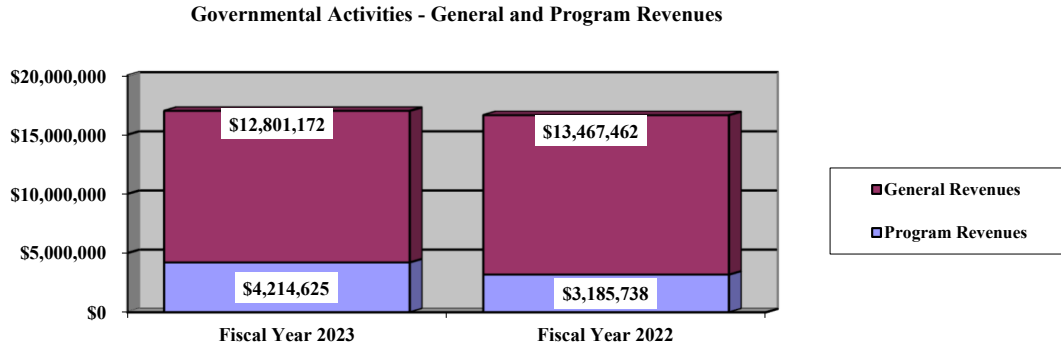
	Governmental Activities			
	Total Cost of Services <u>2023</u>	Net Cost of Services <u>2023</u>	Total Cost of Services <u>2022</u>	Net Cost of Services <u>2022</u>
Program expenses				
Instruction:				
Regular	\$ 5,617,946	\$ 4,940,402	\$ 5,370,801	\$ 4,857,743
Special	1,974,841	832,534	1,780,756	767,456
Vocational	142,571	97,764	122,182	81,965
Other	245,405	245,405	160,361	160,361
Support services:				
Pupil	401,382	142,314	308,866	82,000
Instructional staff	1,030,747	910,314	890,733	835,204
Board of education	110,092	110,092	85,228	85,228
Administration	1,562,185	1,365,451	1,019,523	972,682
Fiscal	516,065	516,065	448,009	448,009
Business	20,349	(202)	24,669	4,387
Operations and maintenance	1,311,800	630,873	1,215,469	1,145,225
Pupil transportation	1,038,976	893,506	723,990	669,970
Central	159,454	159,454	181,289	90,149
Operation of non-instructional services				
Other non-instructional services	38,851	(12,072)	39,661	(170,348)
Food service operations	629,356	21,729	609,060	2,927
Extracurricular activities	684,421	416,187	627,266	389,167
Interest and fiscal charges	15,908	15,908	27,890	27,890
Total expenses	<u>\$ 15,500,349</u>	<u>\$ 11,285,724</u>	<u>\$ 13,635,753</u>	<u>\$ 10,450,015</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 76.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.81%. The District's taxpayers along with the State foundation revenues, as a whole, are by far the primary support for District's students.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The graph below presents the District's governmental activities revenue for fiscal years 2023 and 2022.



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,459,736 which is \$137,023 greater than last year's balance of \$5,322,713. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2023 and 2022.

	Fund Balance <u>June 30, 2023</u>	Fund Balance <u>June 30, 2022</u>	<u>Change</u>
General	\$ 4,258,472	\$ 4,091,497	\$ 166,975
Other governmental	1,201,264	1,231,216	(29,952)
Total	<u>\$ 5,459,736</u>	<u>\$ 5,322,713</u>	<u>\$ 137,023</u>

General Fund

The District's general fund balance increased \$166,975.

The following table shows the changes in revenues and expenditures in the general fund from fiscal year 2023 and 2022.

	2023 <u>Amount</u>	2022 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 5,528,700	\$ 5,959,976	\$ (431,276)	(7.24) %
Tuition	286,719	244,098	42,621	17.46 %
Earnings on investments	70,905	(3,989)	74,894	1,877.51 %
Intergovernmental	7,494,553	7,373,239	121,314	1.65 %
Other revenues	80,621	83,151	(2,530)	(3.04) %
Total	<u>\$ 13,461,498</u>	<u>\$ 13,656,475</u>	<u>\$ (194,977)</u>	<u>(1.43) %</u>
<u>Expenditures</u>				
Instruction	\$ 6,757,560	\$ 7,064,971	\$ (307,411)	(4.35) %
Support services	5,697,502	4,929,909	767,593	15.57 %
Non-instructional services	2,001	-	2,001	N/A
Extracurricular activities	427,477	434,439	(6,962)	(1.60) %
Debt service	109,983	128,041	(18,058)	(14.10) %
Total	<u>\$ 12,994,523</u>	<u>\$ 12,557,360</u>	<u>\$ 437,163</u>	<u>3.48 %</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Overall revenues decreased \$194,977 or 1.43%. The largest decrease was in the areas of taxes primarily due to a decrease in collections in fiscal year 2023. Earnings on investments increased \$74,894 due to increased fair market values of investments during fiscal year 2023. All other revenues were consistent with the previous fiscal year. These amounts are recorded as revenue under Accounting Principles Generally Accepted in the United States of America (GAAP).

Expenditures of the general fund increased \$437,163 or 3.48%. The largest increase was in the area of support services. All other expenditures remained consistent with the prior fiscal year.

General Fund Budgeting Highlights

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

For the general fund, original budgeted revenues and other financing sources were \$13,387,989 and they were increased to \$13,988,583 in the final budget and other financing sources. The actual revenues and other financing sources for fiscal year 2023 were \$14,013,917 which represents a increase of \$25,334 from final budgeted revenues and other financing sources.

General fund appropriations (appropriated expenditures and other financing uses) were \$13,530,923 and \$13,537,378 for the original and final appropriations, respectively. The actual budget basis expenditures and other financing uses for fiscal year 2023 totaled \$13,519,074 which is \$18,304 less than the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2023, the District had \$12,529,415 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and intangible right to use assets. This entire amount is reported in governmental activities. Balances as of June 30, 2022 have been restated as described in Note 3. The following table shows June 30, 2023 balances compared to restated June 30, 2022:

**Capital Assets at June 30
(Net of Depreciation/Amortization)**

	Governmental Activities	
	2023	Restated 2022
Land	\$ 285,208	\$ 285,208
Construction in progress	541,235	-
Land improvements	28,524	29,384
Building and improvements	10,504,642	11,019,854
Furniture and equipment	722,390	713,936
Vehicles	347,406	184,201
Intangible right to use assets	100,010	190,979
Total	\$ 12,529,415	\$ 12,423,562

The overall increase in capital assets of \$105,853 is primarily due to the District having capital asset additions of \$909,427 exceed depreciation expense of \$734,830 during the current fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Debt Administration

At June 30, 2023, the District had \$424,182 in general obligation bonds, finance purchase agreements and leases payable outstanding. Of this total, \$354,430 is due within one year and \$69,752 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2023</u>	Governmental Activities <u>2022</u>
General obligation bonds	\$ 250,000	\$ 490,000
Finance-purchase agreement	137,225	202,493
Leases payable	<u>36,957</u>	<u>72,459</u>
Total	<u>\$ 424,182</u>	<u>\$ 764,952</u>

See Note 9 to the basic financial statements for additional information.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and the school community throughout the economic adversities faced at the local, state, and national levels.

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves and to minimize the levy millage amounts needed periodically from District residents. The District is committed to living within its financial means and will continue to work diligently to plan expenses, prudently operating within its five-year financial plan.

All of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the community's desired needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Shawna Baker, Treasurer, Western Reserve Local School District, 3765 U.S. 20 East, Collins, Ohio 44826.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 5,982,359
Investments	33,315
Receivables:	
Property taxes	4,958,606
Income taxes	1,011,676
Accrued interest	10,873
Intergovernmental	350,032
Prepayments	9,633
Materials and supplies inventory	983
Inventory held for resale	4,010
Net OPEB asset	1,073,422
Capital assets:	
Nondepreciable capital assets	826,443
Depreciable capital assets, net	11,702,972
Capital assets, net	12,529,415
Total assets	25,964,324
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	4,680
Pension	2,914,462
OPEB	241,383
Total deferred outflows of resources	3,160,525
 Liabilities:	
Accounts payable	113,609
Contracts payable	442,575
Accrued wages and benefits payable	1,014,590
Intergovernmental payable	57,642
Pension and postemployment benefits payable	238,120
Accrued interest payable	2,792
Long-term liabilities:	
Due within one year	414,985
Due in more than one year:	
Net pension liability	11,393,895
Net OPEB liability	578,798
Other amounts due in more than one year	811,021
Total liabilities	15,068,027
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,088,878
Pension	1,383,814
OPEB	1,771,440
Total deferred inflows of resources	6,244,132
 Net position:	
Net investment in capital assets	11,659,666
Restricted for:	
Capital projects	158
OPEB plan	210,553
Classroom facilities maintenance	6,868
Debt service	387,541
State funded programs	6,084
Federally funded programs	130,482
Food service operations	290,926
Extracurricular	240,390
Other purposes	69,911
Unrestricted (deficit)	(5,189,889)
Total net position	\$ 7,812,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Governmental activities:						
Instruction:						
Regular	\$ 5,617,946	\$ 96,088	\$ 581,456	\$ -	\$ (4,940,402)	
Special	1,974,841	170,080	972,227	-	(832,534)	
Vocational	142,571	-	44,807	-	(97,764)	
Other	245,405	-	-	-	(245,405)	
Support services:						
Pupil	401,382	-	259,068	-	(142,314)	
Instructional staff	1,030,747	-	120,433	-	(910,314)	
Board of education	110,092	-	-	-	(110,092)	
Administration	1,562,185	25,214	171,520	-	(1,365,451)	
Fiscal	516,065	-	-	-	(516,065)	
Business	20,349	20,551	-	-	202	
Operations and maintenance	1,311,800	-	103,409	577,518	(630,873)	
Pupil transportation	1,038,976	-	55,160	90,310	(893,506)	
Central	159,454	-	-	-	(159,454)	
Operation of non-instructional services:						
Food service operations	629,356	211,904	395,723	-	(21,729)	
Other non-instructional services	38,851	-	50,923	-	12,072	
Extracurricular activities	684,421	263,454	4,780	-	(416,187)	
Interest and fiscal charges	15,908	-	-	-	(15,908)	
Totals	<u>\$ 15,500,349</u>	<u>\$ 787,291</u>	<u>\$ 2,759,506</u>	<u>\$ 667,828</u>	<u>(11,285,724)</u>	
General revenues:						
Property taxes levied for:						
General purposes					3,328,404	
Income taxes levied for:						
General purposes					2,604,586	
Grants and entitlements not restricted to specific programs						
					6,738,324	
Investment earnings					73,772	
Miscellaneous					56,086	
Total general revenues					<u>12,801,172</u>	
Change in net position					1,515,448	
Net position at beginning of year (restated)					<u>6,297,242</u>	
Net position at end of year					<u>\$ 7,812,690</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 4,230,560	\$ 1,751,799	\$ 5,982,359
Investments	-	33,315	33,315
Receivables:			
Property taxes	4,958,606	-	4,958,606
Income taxes	1,011,676	-	1,011,676
Accrued interest	10,873	-	10,873
Intergovernmental	117,698	232,334	350,032
Prepayments	9,633	-	9,633
Materials and supplies inventory	-	983	983
Inventory held for resale	-	4,010	4,010
Due from other funds	113,452	-	113,452
Total assets	<u>\$ 10,452,498</u>	<u>\$ 2,022,441</u>	<u>\$ 12,474,939</u>
Liabilities:			
Accounts payable	\$ 65,027	\$ 48,582	\$ 113,609
Contracts payable	-	442,575	442,575
Accrued wages and benefits payable	938,503	76,087	1,014,590
Compensated absences payable	53,311	-	53,311
Intergovernmental payable	56,752	890	57,642
Pension and postemployment benefits payable	217,413	20,707	238,120
Due to other funds	-	113,452	113,452
Total liabilities	<u>1,331,006</u>	<u>702,293</u>	<u>2,033,299</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	3,088,878	-	3,088,878
Delinquent property tax revenue not available	1,477,937	-	1,477,937
Income tax revenue not available	176,320	-	176,320
Intergovernmental revenue not available	116,815	118,884	235,699
Accrued interest not available	3,070	-	3,070
Total deferred inflows of resources	<u>4,863,020</u>	<u>118,884</u>	<u>4,981,904</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory	-	983	983
Prepays	9,633	-	9,633
Restricted:			
Debt service	-	388,333	388,333
Capital improvements	-	158	158
Classroom facilities maintenance	-	6,868	6,868
Food service operations	-	295,566	295,566
State funded programs	-	6,084	6,084
Federally funded programs	-	130,482	130,482
Extracurricular	-	240,390	240,390
Other purposes	-	69,911	69,911
Committed:			
Capital improvements	-	181,375	181,375
Assigned:			
Student instruction	12,005	-	12,005
Student and staff support	177,792	-	177,792
Public school support	45,279	-	45,279
School supplies	2,988	-	2,988
Unassigned (deficit)	4,010,775	(118,886)	3,891,889
Total fund balances	<u>4,258,472</u>	<u>1,201,264</u>	<u>5,459,736</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,452,498</u>	<u>\$ 2,022,441</u>	<u>\$ 12,474,939</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Total governmental fund balances		\$	5,459,736
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,529,415
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,477,937	
Income taxes receivable		176,320	
Accrued interest receivable		3,070	
Intergovernmental receivable		235,699	
Total		235,699	1,893,026
Unamortized premiums on bonds issued are not recognized in the funds.			(7,672)
Unamortized amounts on refundings are not recognized in the funds.			4,680
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(2,792)
The net pension/OPEB assets & liabilities are not due and payable in the current period; therefore, the assets, liabilities and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows - pension		2,914,462	
Deferred inflows - pension		(1,383,814)	
Net pension liability		(11,393,895)	
Deferred outflows - OPEB		241,383	
Deferred inflows - OPEB		(1,771,440)	
Net OPEB asset		1,073,422	
Net OPEB liability		(578,798)	
Total		(578,798)	(10,898,680)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(250,000)	
Leases payable		(36,957)	
Compensated absences		(740,841)	
Finance purchase obligations		(137,225)	
Total		(1,165,023)	(1,165,023)
Net position of governmental activities		\$	7,812,690

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 2,921,632	\$ 32,758	\$ 2,954,390
Income taxes	2,607,068	-	2,607,068
Intergovernmental	7,494,553	2,196,948	9,691,501
Earnings on investments	70,905	303	71,208
Tuition and fees	286,719	-	286,719
Extracurricular	25,214	263,454	288,668
Charges for services	-	211,904	211,904
Contributions and donations	-	375,017	375,017
Miscellaneous	55,407	679	56,086
Total revenues	<u>13,461,498</u>	<u>3,081,063</u>	<u>16,542,561</u>
Expenditures:			
Current:			
Instruction:			
Regular	4,913,587	584,503	5,498,090
Special	1,484,893	481,672	1,966,565
Vocational	116,003	2,708	118,711
Other	243,077	-	243,077
Support services:			
Pupil	372,083	44,990	417,073
Instructional staff	924,072	120,433	1,044,505
Board of education	110,684	-	110,684
Administration	1,381,274	171,520	1,552,794
Fiscal	524,317	2,814	527,131
Business	20,349	-	20,349
Operations and maintenance	1,243,407	687,780	1,931,187
Pupil transportation	961,862	152,194	1,114,056
Central	159,454	-	159,454
Operation of non-instructional services:			
Food service operations	-	629,034	629,034
Other non-instructional services	2,001	36,850	38,851
Extracurricular activities	427,477	241,717	669,194
Debt service:			
Principal retirement	100,770	240,000	340,770
Interest and fiscal charges	9,213	14,800	24,013
Total expenditures	<u>12,994,523</u>	<u>3,411,015</u>	<u>16,405,538</u>
Excess of revenues over (under) expenditures	<u>466,975</u>	<u>(329,952)</u>	<u>137,023</u>
Other financing sources (uses):			
Transfers in	-	300,000	300,000
Transfers (out)	<u>(300,000)</u>	<u>-</u>	<u>(300,000)</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>
Net change in fund balances	166,975	(29,952)	137,023
Fund balances at beginning of year	<u>4,091,497</u>	<u>1,231,216</u>	<u>5,322,713</u>
Fund balances at end of year	<u>\$ 4,258,472</u>	<u>\$ 1,201,264</u>	<u>\$ 5,459,736</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$	137,023
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 909,427	
Current year depreciation	(734,830)	
Total		174,597
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(68,744)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	374,014	
Income taxes	(2,482)	
Earnings on investments	2,867	
Intergovernmental	98,837	
Total		473,236
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		340,770
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
(Increase) decrease in accrued interest payable	2,103	
Amortization of bond premiums	15,372	
Amortization of deferred charges	(9,370)	
Total		8,105
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,099,743	
OPEB	30,518	
Total		1,130,261
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability/asset are reported as pension/OPEB expense in the statement of activities.		
Pension	(932,520)	
OPEB	317,884	
Total		(614,636)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(65,164)
Change in net position of governmental activities	\$	1,515,448

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 3,178,438	\$ 3,321,023	\$ 3,326,881	\$ 5,858
Income taxes	2,652,425	2,771,415	2,776,303	4,888
Intergovernmental	7,016,561	7,331,329	7,478,356	147,027
Investment earnings	61,557	64,319	64,432	113
Tuition and fees	254,292	265,699	266,168	469
Miscellaneous	181,047	189,169	55,407	(133,762)
Total revenues	<u>13,344,320</u>	<u>13,942,954</u>	<u>13,967,547</u>	<u>24,593</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,613,622	5,436,547	4,932,626	503,921
Special	1,598,003	1,263,404	1,483,870	(220,466)
Vocational	120,599	114,173	123,483	(9,310)
Other	195,399	189,298	232,398	(43,100)
Support services:				
Pupil	360,152	348,908	351,137	(2,229)
Instructional staff	842,081	852,061	941,748	(89,687)
Board of education	79,378	84,168	108,696	(24,528)
Administration	1,292,562	1,245,300	1,297,575	(52,275)
Fiscal	634,553	623,833	666,334	(42,501)
Operations and maintenance	1,001,737	1,529,038	1,442,983	86,055
Pupil transportation	881,873	971,299	1,023,514	(52,215)
Central	182,159	176,493	176,812	(319)
Extracurricular activities	419,025	402,748	436,987	(34,239)
Total expenditures	<u>13,221,143</u>	<u>13,237,270</u>	<u>13,218,163</u>	<u>19,107</u>
Excess of revenues over expenditures	<u>123,177</u>	<u>705,684</u>	<u>749,384</u>	<u>43,700</u>
Other financing sources (uses):				
Refund of prior year's expenditures	43,669	45,629	45,709	80
Refund of prior year's receipts	-	-	661	661
Transfers (out)	<u>(309,780)</u>	<u>(300,108)</u>	<u>(300,911)</u>	<u>(803)</u>
Total other financing sources (uses)	<u>(266,111)</u>	<u>(254,479)</u>	<u>(254,541)</u>	<u>(62)</u>
Net change in fund balance	(142,934)	451,205	494,843	43,638
Fund balance at beginning of year	3,210,405	3,210,405	3,210,405	-
Prior year encumbrances appropriated	360,336	360,336	360,336	-
Fund balance at end of year	<u>\$ 3,427,807</u>	<u>\$ 4,021,946</u>	<u>\$ 4,065,584</u>	<u>\$ 43,638</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Western Reserve Local School District (the “District”) is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected five-member Board of Education and is responsible for providing public education to the residents of the District.

The District employs 41 non-certified, 67 certified employees and 10 administrative employees to provide services to approximately 1,004 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization, which is a computer consortium. NOECA is an association of public-school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees and a representative from the fiscal agent.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

During the fiscal year, the District paid NOECA \$10,764 for services. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

Bay Area Council of Governments

The Bay Area Council of Governments consists of school districts representing multiple counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the districts is an administrative charge if they purchase something through the Council. The District made no contribution to the Bay Area Council of Governments in 2023. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors consists of 1 elected representative from each county, and the superintendent of the fiscal agent and 2 non-voting members (administrator and fiscal officer). Members of the Board serve two-year terms, which are staggered. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Huron-Erie School Employees Insurance Association

The Huron-Erie School Employees Insurance Association (Association) is a public entity risk pool. The Association assembly consists of a superintendent or designated representative from each participating district and the program administrator. The Association is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the Board. Financial information can be obtained by contacting the North Point Educational Service Center, which serves as fiscal agent, at 4918 Milan Road, Sandusky, Ohio 44870.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary or fiduciary funds.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 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 requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and deferred outflows of resources, and in the presentation of expenses versus expenditures.

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 12 and 13 for deferred outflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. Unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 12 and 13 for deferred inflows of resources related to net pension liability/asset and net OPEB liability/asset, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2023 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2023.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund level of expenditures for the general fund.
5. All funds, other than custodial funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2023; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
9. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2023, investments were limited to shares of common stock (see below), STAR Ohio, negotiable certificates of deposit, and a money market mutual fund. Investments are reported at fair value, which is based on quoted market prices.

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust fund. Interest revenue credited to the general fund during fiscal year 2023 amounted to \$70,905, which includes \$19,328 assigned from other District funds.

While common stock is not an allowable investment according to Ohio Statute, the District has been endowed with a gift of stock. No public funds were used to acquire the stock. At June 30, 2023, the common stock value was \$24,088.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. On the fund financial statements inventories are stated at cost and expensed when purchased and cost is determined on a first-in, first-out basis.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

H. Capital Assets

General capital assets are those assets related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated/amortized. Improvements are depreciated/amortized over the remaining useful lives of the related capital assets. Depreciation/amortization is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	5 - 25 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Intangible leased assets	5 years
Vehicles	6 - 10 years

The District is reporting intangible right to use assets related to leased vehicles. The intangible assets are being amortized in a systematic and rational manner of the shorter of the lease term or the useful life of the underlying asset.

I. Interfund Balances

On the fund financial statements, other receivables related to interfund activity are classified as “due from other funds” and “due to other funds”. These amounts are eliminated in the governmental activities’ column of the statement of net position.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least age fifty with at least ten years of service or any age with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2023 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

O. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 9.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

P. Estimates

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

Q. Stabilization Arrangement

The Board of Education has \$600,000 of fund balance in the general fund to be used for budget stabilization. The Board has these funds to cover emergency situations or when revenue shortages or budgetary imbalances arise. The budget stabilization arrangement may be removed by action of the Board of Education at any time.

R. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2023.

U. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2023, the District has implemented GASB Statement No. 91, "Conduit Debt Obligations", GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements", GASB Statement No. 96, "Subscription Based Information Technology Arrangements", certain questions and answers of GASB Implementation Guide 2021-1 and certain paragraphs of GASB Statement No. 99, "Omnibus 2022".

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of GASB Statement No. 91 did not have an effect on the financial statements of the District.

GASB Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the District.

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the District.

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. The implementation of GASB Implementation Guide 2021-1 did not have an effect on the financial statements of the District.

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

B. Deficit Fund Balances

Fund balances at June 30, 2023 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA Part B	\$ 6,035
Title I	25,795
ESSER	87,056

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Restatement of Net Position

The District has restated net position at July 1, 2022 due to the correction of errors and omissions in capital asset balances that were previously reported. See Note 8 for more detail. The restatement had the following effect on net position at July 1, 2022:

	Governmental <u>Activities</u>
Net position as previously reported	\$ 5,357,371
Adjustment for capital assets	<u>939,871</u>
Restated net position at July 1, 2022	<u>\$ 6,297,242</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2023, the carrying amount of all District deposits was \$4,716,527 and the bank balance of all District deposits was \$4,826,983. Of the bank balance, \$250,000 was covered by the FDIC and \$4,576,983 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

For fiscal year 2023, District financial institutions did participate in the OPCS. Noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2023, the District had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
<i>Fair Value:</i>						
Donated Stock	\$ 24,088	\$ 24,088	\$ -	\$ -	\$ -	\$ -
Donated Money Market	9,227	9,227	-	-	-	-
Negotiable CD's	483,214	98,914	-	76,535	-	307,765
<i>Amortized Cost:</i>						
STAR Ohio	782,618	782,618	-	-	-	-
Total	\$ 1,299,147	\$ 914,847	\$ -	\$ 76,535	\$ -	\$ 307,765

The weighted average maturity of investments is 0.77 years.

The District's investments in donated stock and money market are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in negotiable CD's are valued using quoted prices in markets that not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District has no investment policy dealing with interest rate risk beyond the requirements of State statute.

Credit Risk: The District's donated stock was rated AA- by Standard & Poor's. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable CD's were covered by the FDIC. The District's investment policy does not specifically address credit risk beyond adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable CD's are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agency, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2023:

Measurement/ <u>Investment type</u>	Measurement	
	<u>Value</u>	<u>% of Total</u>
<i>Fair Value:</i>		
Donated Stock	\$ 24,088	1.85
Donated Money Market	9,227	0.71
Negotiable CD's	483,214	37.19
<i>Amortized Cost:</i>		
STAR Ohio	782,618	60.25
Total	\$ 1,299,147	100.00

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2023:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,716,527
Investments	<u>1,299,147</u>
Total	<u>\$ 6,015,674</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	<u>\$ 6,015,674</u>
Total	<u>\$ 6,015,674</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed values as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2023 represent the collection of calendar year 2022 taxes. Public utility real and personal property taxes received in calendar year 2023 became a lien on December 31, 2021, were levied after April 1, 2022, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Huron and Erie Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available as an advance at June 30, 2023 was \$391,791 in the general fund. This amount is recorded as revenue. The amount available for advance at June 30, 2022 was \$797,040 in the general fund, \$35,422 in the bond retirement fund (a nonmajor governmental fund) and \$13,614 in the classroom facilities maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2023 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow of resources.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 5 - PROPERTY TAXES – (Continued)

The assessed values upon which the fiscal year 2023 taxes were collected are:

	2022 First Half Collections		2023 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 153,016,370	85.06	\$ 154,283,570	85.10
Public utility personal	<u>26,870,500</u>	<u>14.94</u>	<u>27,018,860</u>	<u>14.90</u>
Total	<u>\$ 179,886,870</u>	<u>100.00</u>	<u>\$ 181,302,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$32.50		\$31.10	

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The voters of the District have passed 2 income tax levies. The first income tax levy was passed in May of 1990 and established a 3/4% income tax effective January 1, 1991, for an indefinite period of time. The second income tax levy was passed in March of 1996 and established an additional 1/2% income tax effective January 1, 1998 for an indefinite period of time. School district income tax revenue received by the general fund during fiscal year 2023 was \$2,607,068.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2023 consisted of property taxes, income taxes, accrued interest and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Taxes	\$ 5,970,282
Accrued interest	10,873
Intergovernmental	<u>350,032</u>
Total	<u>\$ 6,331,187</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 8 - CAPITAL ASSETS

Capital assets as of June 30th, 2022 have been restated as described in Note 3. Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Restated Balance <u>06/30/22</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/23</u>
Governmental activities:				
<i>Capital assets, not being depreciated/amortized:</i>				
Land	\$ 285,208	\$ -	\$ -	\$ 285,208
Construction in progress	-	541,235	-	541,235
Total capital assets, not being depreciated/amortized	<u>285,208</u>	<u>541,235</u>	<u>-</u>	<u>826,443</u>
<i>Capital assets, being depreciated/amortized:</i>				
Land improvements	667,059	12,000	-	679,059
Buildings and improvements	23,026,687	62,238	-	23,088,925
Furniture and equipment	4,382,943	81,852	-	4,464,795
Vehicles	1,371,067	212,102	-	1,583,169
Intangible right to use:				
Leased vehicles	345,324	-	(167,529)	177,795
Total capital assets, being depreciated/amortized	<u>29,793,080</u>	<u>368,192</u>	<u>(167,529)</u>	<u>29,993,743</u>
<i>Less: accumulated depreciation/amortization:</i>				
Land improvements	(637,675)	(12,860)	-	(650,535)
Buildings and improvements	(12,006,833)	(577,450)	-	(12,584,283)
Furniture and equipment	(3,669,007)	(73,398)	-	(3,742,405)
Vehicles	(1,186,866)	(48,897)	-	(1,235,763)
Intangible right to use:				
Leased vehicles	(154,345)	(22,225)	98,785	(77,785)
Total accumulated depreciation/amortization	<u>(17,654,726)</u>	<u>(734,830)</u>	<u>98,785</u>	<u>(18,290,771)</u>
Governmental activities capital assets, net	<u>\$ 12,423,562</u>	<u>\$ 174,597</u>	<u>\$ (68,744)</u>	<u>\$ 12,529,415</u>

Depreciation/amortization expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 403,145
Special	38,422
Vocational	31,383
<u>Support services:</u>	
Administration	35,796
Operations and maintenance	54,611
Pupil Transportation	86,597
Extracurricular	32,919
Food service operations	51,957
Total depreciation/amortization expense	<u>\$ 734,830</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2023, the following changes occurred in governmental activities long-term obligations.

	Balance <u>06/30/22</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/23</u>	Due in <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
Series 2010, current interest bonds	\$ 490,000	\$ -	\$ (240,000)	\$ 250,000	\$ 250,000
Net pension liability	6,892,826	4,501,069	-	11,393,895	-
Net OPEB liability	753,817	-	(175,019)	578,798	-
Compensated absences	693,035	121,783	(20,666)	794,152	60,555
Finance purchase agreement obligation - direct borrowing	202,493	-	(65,268)	137,225	67,473
Lease payable	<u>72,459</u>	<u>-</u>	<u>(35,502)</u>	<u>36,957</u>	<u>36,957</u>
Total	<u>\$ 9,104,630</u>	<u>\$ 4,622,852</u>	<u>\$ (536,455)</u>	<u>13,191,027</u>	<u>\$ 414,985</u>
Add: unamortized premium				<u>7,672</u>	
Total on statement of net position				<u>\$ 13,198,699</u>	

Series 2010 Refunding General Obligation Bonds – On October 7, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the Series 2001 current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded current interest bonds at June 30, 2023, is \$250,000.

The refunding issue is comprised of both current interest bonds, par value \$2,540,000, and capital appreciation bonds par value \$35,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. The capital appreciation bonds matured on December 1, 2016 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The reacquisition price exceeded the net carrying amount of the old debt by \$124,146. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Net pension liability - The District's net pension liability is described in Note 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB liability/asset - The District's net OPEB liability/asset is described in Note 13. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences payable - The liability will be paid from the fund which the employee is paid, which is primarily the general fund.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Finance-purchase obligation - During fiscal year 2016, the District entered into a finance purchase agreement with Key Government Finance, Inc. to complete energy conservation upgrades in the District. This obligation is considered a direct borrowing. Direct borrowings have terms negotiated directly between the District and the lender and are not offered for public sale. This obligation also meets the criteria of a finance purchase as defined by GAAP, which defines a finance purchase generally as one which transfers benefits and risks of ownership. At June 30, 2017, capital assets acquired by finance purchase have been capitalized under building and improvements in the amount of \$613,608. Finance-purchase payments have been reflected as debt service expenditures from the general fund. Principal and interest payments during fiscal year 2023 totaled \$65,268 and \$6,242, respectively.

The following is a schedule of the future long-term minimum payments required under the finance purchase agreements:

Fiscal Year Ending June 30	Finance Purchase Agreement		
	Current Interest Bonds		
	Principal	Interest	Total
2024	\$ 67,473	\$ 4,037	\$ 71,510
2025	69,752	1,757	71,509
Total	\$ 137,225	\$ 5,794	\$ 143,019

Lease payable obligation - The District has entered into lease agreements for the use of right to use vehicles. Due to the implementation of GASB Statement No. 87, the District will report an intangible capital asset and corresponding liability for the future scheduled payments under the leases. The lease payments will be paid from the general fund.

The District has entered into lease agreements for buses at varying years and terms as follows:

<u>Item</u>	<u>Lease Commencement Date</u>	<u>Years</u>	<u>Lease End Date</u>	<u>Payment Method</u>
Bus	2018	5	2023	Monthly
Bus	2020	5	2024	Monthly

The following is a schedule of future lease payments under the lease agreements:

Fiscal Year Ending June 30	<u>Leases payable</u>		
	Principal	Interest	Total
2024	\$ 36,957	\$ 1,515	\$ 38,472
Total	\$ 36,957	\$ 1,515	\$ 38,472

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2023, are as follows:

Fiscal Year <u>Ending June 30</u>	General Obligation		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 250,000	\$ 5,000	\$ 255,000
Total	<u>\$ 250,000</u>	<u>\$ 5,000</u>	<u>\$ 255,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2023, are a voted debt margin of \$16,455,552 (including available funds of \$388,333) and an unvoted debt margin of \$181,302.

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences and Retirement Incentive

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn ten to twenty days of vacation per year, depending on the length of service, which cannot be carried forward. Administrators with 260-day contracts earn twenty days of vacation per year and may carry up to ten days forward (balance never to exceed 30 days). Administrators with less than 260-day contracts are not afforded any vacation time.

Non-Certified Employees

Accumulated unused sick time is paid to non-certified employees upon termination of employment. Non-certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave can be accumulated to a maximum of 240 days.

Non-certified employees must have eight or more years of service with the state and/or any political subdivision, three of which must be with the District. Payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 60 days severance pay at the daily rate of the employee. A non-certified employee with twenty-five or more years of service in the District will be paid for 50 percent of the total sick leave accumulation, up to a maximum accumulation of 120 days.

Certified Employees

Accumulated unused sick time is paid to certified employees upon termination of employment. Teachers do not earn vacation time. Certified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave can be accumulated to a maximum of 263 days.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER EMPLOYEE BENEFITS – (Continued)

Certified employees must have eight or more years of service with the state and/or any political subdivision, four of which must be with the District. Payment is made for 25 percent of the total sick leave accumulation, up to a maximum accumulation of 66 days severance pay at the daily rate of the employee.

B. Health Benefits

The District joined together with other area school districts to form the Huron-Erie School Employees Insurance Association, a public entity risk management and employee health benefits program for 14 member school districts (See Note 2.A.). The District pays a monthly premium to the pool for health, life and dental insurance, including prescription coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums, and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$200,000 for any employee.

In the event of withdrawal, the District shall assume and be responsible for payment of all claims of its eligible employees, families and dependents from the effective date of withdrawal, regardless of when such claims were incurred, processed, or presented to the Association, insurance provider, insurance consultant, or any other appropriate or authorized person or representative; provided further, any such claims, which are paid after the effective date of withdrawal by the Association insurance provider or insurance consultant, or charged to such parties, shall be reimbursed in full by any withdrawing member upon demand of the Association.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2023, the District has contracted with Hylant to provide general liability, fleet, building and contents coverage.

The District had the following coverages in effect for fiscal year 2023:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 3,000,000	\$ -
Aggregate	5,000,000	-
Fleet:		
Comprehensive	3,000,000	1,000
Collision	3,000,000	1,000
Building and contents	58,294,010	1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2022.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTE 11 - RISK MANAGEMENT – (Continued)

B. Ohio School Boards Association Workers' Compensation Group Rating Program

For fiscal year 2023, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

Post-employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Net OPEB Liability/Asset

The net pension liability and the net OPEB liability/asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

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

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

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

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

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0%. In 2022, the Board of Trustees approved a 2.5% cost-of-living adjustment (COLA) for eligible retirees and beneficiaries in 2023.

Funding Policy - Plan members are required to contribute 10.00% of their annual covered salary and the District is required to contribute 14.00% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10.00% for plan members and 14.00% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.00%. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District’s contractually required contribution to SERS was \$287,583 for fiscal year 2023. Of this amount, \$68,494 is reported as pension and postemployment benefits payable.

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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.20% of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 and after termination of employment.

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

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2023 employer and employee contribution rate of 14% was equal to the statutory maximum rates. For fiscal year 2023, the full employer contribution was allocated to pension.

The District's contractually required contribution to STRS was \$812,160 for fiscal year 2023. Of this amount, \$137,280 is reported as pension and postemployment benefits payable.

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.039768900%	0.042433223%	
Proportion of the net pension liability current measurement date	<u>0.040272906%</u>	<u>0.041455560%</u>	
Change in proportionate share	<u>0.000504006%</u>	<u>-0.000977663%</u>	
Proportionate share of the net pension liability	\$ 2,178,272	\$ 9,215,623	\$ 11,393,895
Pension expense	\$ 75,898	\$ 856,622	\$ 932,520

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 88,221	\$ 117,972	\$ 206,193
Net difference between projected and actual earnings on pension plan investments	-	320,684	320,684
Changes of assumptions	21,493	1,102,833	1,124,326
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	25,917	137,599	163,516
Contributions subsequent to the measurement date	<u>287,583</u>	<u>812,160</u>	<u>1,099,743</u>
Total deferred outflows of resources	<u>\$ 423,214</u>	<u>\$ 2,491,248</u>	<u>\$ 2,914,462</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 14,300	\$ 35,254	\$ 49,554
Net difference between projected and actual earnings on pension plan investments	76,014	-	76,014
Changes of assumptions	-	830,116	830,116
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	-	428,130	428,130
Total deferred inflows of resources	<u>\$ 90,314</u>	<u>\$ 1,293,500</u>	<u>\$ 1,383,814</u>

\$1,099,743 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ 4,987	\$ (445,093)	\$ (440,106)
2025	17,621	(390,002)	(372,381)
2026	(7,340)	(544,045)	(551,385)
2027	30,049	1,764,728	1,794,777
Total	<u>\$ 45,317</u>	<u>\$ 385,588</u>	<u>\$ 430,905</u>

Actuarial Assumptions - SERS

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

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

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%), or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 3,206,312	\$ 2,178,272	\$ 1,312,162

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Projected salary increases	Varies by service from 2.50% to 8.50%	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.00%, net of investment expenses, including inflation	7.00%, net of investment expenses, including inflation
Discount rate of return	7.00%	7.00%
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%

For the June 30, 2022 actuarial valuation, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00 %</u>	

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2022.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table represents the net pension liability as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 13,921,452	\$ 9,215,623	\$ 5,235,949

Changes Between Measurement Date and Reporting Date - STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

See Note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2023, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the District's surcharge obligation was \$30,518.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$30,518 for fiscal year 2023. Of this amount, \$30,518 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability/asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability/asset prior measurement date	0.039830100%	0.042433223%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.041224600%</u>	<u>0.041455560%</u>	
Change in proportionate share	<u>0.001394500%</u>	<u>-0.000977663%</u>	
Proportionate share of the net OPEB liability	\$ 578,798	\$ -	\$ 578,798
Proportionate share of the net OPEB asset	\$ -	\$ (1,073,422)	\$ (1,073,422)
OPEB expense	\$ (112,185)	\$ (205,699)	\$ (317,884)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 4,865	\$ 15,564	\$ 20,429
Net difference between projected and actual earnings on OPEB plan investments	3,009	18,686	21,695
Changes of assumptions	92,062	45,724	137,786
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	29,704	1,251	30,955
Contributions subsequent to the measurement date	<u>30,518</u>	<u>-</u>	<u>30,518</u>
Total deferred outflows of resources	<u>\$ 160,158</u>	<u>\$ 81,225</u>	<u>\$ 241,383</u>
	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 370,239	\$ 161,210	\$ 531,449
Changes of assumptions	237,599	761,164	998,763
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>219,508</u>	<u>21,720</u>	<u>241,228</u>
Total deferred inflows of resources	<u>\$ 827,346</u>	<u>\$ 944,094</u>	<u>\$ 1,771,440</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$30,518 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the fiscal year ending June 30, 2024.

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

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	\$ (189,053)	\$ (258,461)	\$ (447,514)
2025	(185,492)	(249,059)	(434,551)
2026	(144,825)	(117,889)	(262,714)
2027	(76,493)	(48,086)	(124,579)
2028	(42,730)	(62,531)	(105,261)
Thereafter	(59,113)	(126,843)	(185,956)
Total	\$ (697,706)	\$ (862,869)	\$ (1,560,575)

Actuarial Assumptions - SERS

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

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

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022 are presented below:

Wage inflation:

Current measurement date	2.40%
Prior measurement date	2.40%

Future salary increases, including inflation:

Current measurement date	3.25% to 13.58%
Prior measurement date	3.25% to 13.58%

Investment rate of return:

Current measurement date	7.00% net of investment expense, including inflation
Prior measurement date	7.00% net of investment expense, including inflation

Municipal bond index rate:

Current measurement date	3.69%
Prior measurement date	1.92%

Single equivalent interest rate, net of plan investment expense,
including price inflation:

Current measurement date	4.08%
Prior measurement date	2.27%

Medical trend assumption:

Current measurement date	7.00 to 4.40%
Prior measurement date	
Medicare	5.125 to 4.400%
Pre-Medicare	6.750 to 4.400%

In 2022, mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

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

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial 5-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2022, was 4.08%. The discount rate used to measure total OPEB liability prior to June 30, 2022, was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50% of projected covered payroll each year, which includes a 1.50% payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69% at June 30, 2022 and 1.92% at June 30, 2021.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability, what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what the net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 718,875	\$ 578,798	\$ 465,717
		Current Trend Rate	
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 446,357	\$ 578,798	\$ 751,787

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022 actuarial valuation, compared with June 30, 2021 actuarial valuation, are presented below:

	June 30, 2022		June 30, 2021	
Inflation	2.50%		2.50%	
Projected salary increases	Varies by service from 2.50% to 8.50%		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.00%, net of investment expenses, including inflation		7.00%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discount rate of return	7.00%		7.00%	
Blended discount rate of return	N/A		N/A	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	7.50%	3.94%	5.00%	4.00%
Medicare	-68.78%	3.94%	-16.18%	4.00%
Prescription Drug				
Pre-Medicare	9.00%	3.94%	6.50%	4.00%
Medicare	-5.47%	3.94%	29.98%	4.00%

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

For the June 30, 2022 actuarial valuation, for healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

Actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date - Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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

Asset Class	Target Allocation*	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	<u>1.00</u>	1.00
Total	<u><u>100.00 %</u></u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

**10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and is net of investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS Ohio continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care fund investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 994,009	\$ 1,073,422	\$ 1,142,867
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 1,113,400	\$ 1,073,422	\$ 1,022,960

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported on fair value (GAAP basis) rather than cost (budget basis); and
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

	<u>General fund</u>
Budget basis	\$ 494,843
Net adjustment for revenue accruals	(567,686)
Net adjustment for expenditure accruals	62,918
Net adjustment for other sources/uses	(46,370)
Funds budgeted elsewhere	(5,284)
Adjustment for encumbrances	228,554
GAAP basis	\$ 166,975

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the uniform school supplies fund, the other grants fund and the public-school support fund.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2001, the District issued \$3,265,000 in current interest general obligation bonds and \$96,000 in capital appreciation bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvement set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$1,417,681 at June 30, 2023.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 16 - SET-ASIDES – (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2022	\$ -
Current year set-aside requirement	221,255
Current year qualifying expenditures	(94,200)
Prior year offset from bond proceeds	<u>(127,055)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2024	<u>\$ -</u>
Set-aside balance June 30, 2023	<u>\$ -</u>

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirements for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The District’s endowment fund consists of donor restricted endowments and realized and unrealized appreciation on investments and is reflected as restricted for other purposes. State law permits the District to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide scholarships each year.

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Fiscal Year-End Encumbrances</u>
General fund	\$ 192,015
Nonmajor governmental funds	<u>502,948</u>
Total	<u>\$ 694,963</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 19 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2023, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental fund	\$ 300,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

- B. Interfund balances at June 30, 2023 as reported on the fund financial statements, consist of the following due to other funds, and due from other funds:

<u>Balance due from other funds</u>	<u>Balances due to other fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 113,452

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2023 are reported on the statement of net position.

NOTE 20 – TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Wakeman Village entered into property tax abatement agreements with property owners under The Ohio Community Reinvestment Area (“CRA”) program. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District’s property taxes were reduced by \$29,127 during fiscal year 2023.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net pension liability	0.04027291%	0.03976890%	0.03920060%	0.04357590%
District's proportionate share of the net pension liability	\$ 2,178,272	\$ 1,467,357	\$ 2,592,810	\$ 2,607,223
District's covered payroll	\$ 1,494,900	\$ 1,387,593	\$ 1,374,879	\$ 1,491,074
District's proportionate share of the net pension liability as a percentage of its covered payroll	145.71%	105.75%	188.58%	174.86%
Plan fiduciary net position as a percentage of the total pension liability	75.82%	82.86%	68.55%	70.85%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.05570740%	0.05525180%	0.04820330%	0.04536490%	0.04310100%	0.04310100%
\$ 3,190,466	\$ 3,301,173	\$ 3,528,037	\$ 2,588,565	\$ 2,181,317	\$ 2,563,078
\$ 1,346,230	\$ 1,626,064	\$ 1,534,379	\$ 1,365,721	\$ 1,252,446	\$ 1,296,091
236.99%	203.02%	229.93%	189.54%	174.16%	197.75%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	2023	2022	2021	2020
District's proportion of the net pension liability	0.04145556%	0.04243322%	0.04127749%	0.04283281%
District's proportionate share of the net pension liability	\$ 9,215,623	\$ 5,425,469	\$ 9,987,684	\$ 9,472,219
District's covered payroll	\$ 5,364,543	\$ 5,302,007	\$ 5,017,857	\$ 4,947,421
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.79%	102.33%	199.04%	191.46%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2019	2018	2017	2016	2015	2014
0.04551217%	0.04609309%	0.04683292%	0.04663892%	0.04738065%	0.04738065%
\$ 10,007,104	\$ 10,949,512	\$ 15,676,390	\$ 12,889,633	\$ 11,524,614	\$ 13,728,045
\$ 5,220,336	\$ 5,063,943	\$ 4,976,264	\$ 4,865,993	\$ 4,840,992	\$ 5,065,400
191.69%	216.23%	315.02%	264.89%	238.06%	271.02%
77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 287,583	\$ 209,286	\$ 194,263	\$ 192,483
Contributions in relation to the contractually required contribution	<u>(287,583)</u>	<u>(209,286)</u>	<u>(194,263)</u>	<u>(192,483)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,054,164	\$ 1,494,900	\$ 1,387,593	\$ 1,374,879
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 201,295	\$ 181,741	\$ 227,649	\$ 214,813	\$ 180,002	\$ 173,589
<u>(201,295)</u>	<u>(181,741)</u>	<u>(227,649)</u>	<u>(214,813)</u>	<u>(180,002)</u>	<u>(173,589)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,491,074	\$ 1,346,230	\$ 1,626,064	\$ 1,534,379	\$ 1,365,721	\$ 1,252,446
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 812,160	\$ 751,036	\$ 742,281	\$ 702,500
Contributions in relation to the contractually required contribution	<u>(812,160)</u>	<u>(751,036)</u>	<u>(742,281)</u>	<u>(702,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,801,143	\$ 5,364,543	\$ 5,302,007	\$ 5,017,857
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 692,639	\$ 730,847	\$ 708,952	\$ 696,677	\$ 681,239	\$ 629,329
<u>(692,639)</u>	<u>(730,847)</u>	<u>(708,952)</u>	<u>(696,677)</u>	<u>(681,239)</u>	<u>(629,329)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,947,421	\$ 5,220,336	\$ 5,063,943	\$ 4,976,264	\$ 4,865,993	\$ 4,840,992
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.04122460%	0.03983010%	0.04090010%	0.04480830%
District's proportionate share of the net OPEB liability	\$ 578,798	\$ 753,817	\$ 888,893	\$ 1,126,835
District's covered payroll	\$ 1,494,900	\$ 1,387,593	\$ 1,374,879	\$ 1,491,074
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.72%	54.33%	64.65%	75.57%
Plan fiduciary net position as a percentage of the total OPEB liability	30.34%	24.08%	18.17%	15.57%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.05526300%	0.05540070%	0.04894949%
\$ 1,533,145	\$ 1,486,809	\$ 1,395,242
\$ 1,346,230	\$ 1,626,064	\$ 1,534,379
113.88%	91.44%	90.93%
13.57%	12.46%	11.49%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY/ASSET
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST SEVEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability/asset	0.04145556%	0.04243322%	0.04127749%	0.04283281%
District's proportionate share of the net OPEB liability/(asset)	\$ (1,073,422)	\$ (894,670)	\$ (725,452)	\$ (709,414)
District's covered payroll	\$ 5,364,543	\$ 5,302,007	\$ 5,017,857	\$ 4,947,421
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	20.01%	16.87%	14.46%	14.34%
Plan fiduciary net position as a percentage of the total OPEB liability	230.73%	174.73%	182.10%	174.70%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.04551217%	0.04609309%	0.04683292%
\$ (731,334)	\$ 1,798,382	\$ 2,504,637
\$ 5,220,336	\$ 5,063,943	\$ 4,976,264
14.01%	35.51%	50.33%
176.00%	47.10%	37.30%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 30,518	\$ 30,985	\$ 20,456	\$ 27,324
Contributions in relation to the contractually required contribution	<u>(30,518)</u>	<u>(30,985)</u>	<u>(20,456)</u>	<u>(27,324)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,054,164	\$ 1,494,900	\$ 1,387,593	\$ 1,374,879
Contributions as a percentage of covered payroll	1.49%	2.07%	1.47%	1.99%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 35,515	\$ 31,225	\$ 27,109	\$ 25,201	\$ 33,653	\$ 25,293
<u>(35,515)</u>	<u>(31,225)</u>	<u>(27,109)</u>	<u>(25,201)</u>	<u>(33,653)</u>	<u>(25,293)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,491,074	\$ 1,346,230	\$ 1,626,064	\$ 1,534,379	\$ 1,365,721	\$ 1,252,446
2.38%	2.32%	1.67%	1.64%	2.46%	2.02%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,801,143	\$ 5,364,543	\$ 5,302,007	\$ 5,017,857
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,418
-	-	-	-	-	(48,418)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,947,421	\$ 5,220,336	\$ 5,063,943	\$ 4,976,264	\$ 4,865,993	\$ 4,840,992
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.
- For fiscal year 2019, with the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2021.
- For fiscal year 2022, SERS changed from a Cost of Living Adjustment (COLA) of 2.5% to 2.0%.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021.
- For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2023.

(Continued)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PENSION (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2014.
- There were no changes in benefit terms from the amounts reported for fiscal year 2015.
- There were no changes in benefit terms from the amounts reported for fiscal year 2016.
- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero.
- There were no changes in benefit terms from amounts previously reported for fiscal year 2019
- There were no changes in benefit terms from amounts previously reported for fiscal year 2020
- There were no changes in benefit terms from amounts previously reported for fiscal year 2021
- There were no changes in benefit terms from amounts previously reported for fiscal year 2022
- There were no changes in benefit terms from amounts previously reported for fiscal year 2023

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2015.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2016.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation, (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience.
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2020
- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2021
- For fiscal year 2022, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00% and (b) the discount rate of return was reduced from 7.45% to 7.00%.
- For fiscal year 2023, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the projected salary increases went from 12.50% at age 20 to 2.50% at age 65 to varies by service from 2.50% to 8.50%

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts reported for fiscal year 2017.
- There were no changes in benefit terms from the amounts reported for fiscal year 2018.
- There were no changes in benefit terms from the amounts reported for fiscal year 2019.
- There were no changes in benefit terms from the amounts reported for fiscal year 2020.
- There were no changes in benefit terms from the amounts reported for fiscal year 2021.
- There were no changes in benefit terms from the amounts reported for fiscal year 2022.
- There were no changes in benefit terms from the amounts reported for fiscal year 2023.

(Continued)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO (CONTINUED)

Changes in assumptions :

- For fiscal year 2017, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rates for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.
- For fiscal year 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.70% to 3.22%, (b) the health care cost trend rates for Medicare were changed from a range of 5.375%-4.75% to a range of 5.25%-4.75% and Pre-Medicare were changed from a range of 7.25%-4.75% to a range of 7.00%-4.75%, (c) the municipal bond index rate decreased from 3.62% to 3.13% and (d) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.70% to 3.22%.
- For fiscal year 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate decreased from 3.22% to 2.63% and (b) the municipal bond index rate decreased from 3.13% to 2.45%, and (c) the single equivalent interest rate, net of plan investment expense, including price inflation decreased from 3.22% to 2.63%.
- For fiscal year 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) wage inflation decreased from 3.00% to 2.40%, (b) future salary increases changed from 3.50%-18.20% to 3.25%-13.58%, (c) investment rate of return decreased from 7.50% to 7.00%, (d) discount rate decreased from 7.50% to 7.00% and (e) mortality tables changed from the RP-2014 Blue Collar mortality table to the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table.
- For fiscal year 2023, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) municipal bond index rate went from 1.92% to 3.69%, (b) single equivalent interest rate when from 2.27% to 4.08% and (c) medical trend assumptions went from 5.125% to 4.40% Medicare and 6.75% to 4.40% Pre-Medicare to 7.00% to 4.40%.

(Continued)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms :

- There were no changes in benefit terms from the amounts previously reported for fiscal year 2017.
- For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019.
- For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.
- For fiscal year 2020, STRS increased the subsidy percentage from 1.944% to 1.984% effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.
- For fiscal year 2021, the non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.
- For fiscal year 2022, the non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055% to 2.100%. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in CY2022. The Part B monthly reimbursement elimination date was postponed indefinitely
- There were no changes in benefit terms from the amounts previously reported for fiscal year 2023.

Changes in assumptions :

- There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017.
- For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.
- For fiscal year 2019, the following changes of assumptions affected the total OPEB liability/asset since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in health care cost trend rates from 6.00%-11.00% initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.
- For fiscal year 2020, health care cost trend rates were changed to the following: medical pre-Medicare from 6.00% initial - 4.00% ultimate down to 5.87% initial - 4.00% ultimate; medical Medicare from 5.00% initial - 4.00% ultimate down to 4.93% initial - 4.00% ultimate; prescription drug pre-Medicare from 8.00% initial - 4.00% ultimate down to 7.73% initial - 4.00% ultimate and (5.23%) initial - 4.00% ultimate up to 9.62% initial - 4.00% ultimate.

(Continued)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
HURON COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO (CONTINUED)

Changes in assumptions (continued):

- For fiscal year 2021, health care cost trend rates were changed to the following: medical pre-Medicare from 5.87% initial - 4.00% ultimate down to 5.00% initial - 4.00% ultimate; medical Medicare from 4.93% initial - 4.00% ultimate down to -6.69% initial - 4.00% ultimate; prescription drug pre-Medicare from 7.73% initial - 4.00% ultimate down to 6.50% initial - 4.00% ultimate; prescription drug Medicare from 9.62% initial - 4.00% ultimate up to 11.87% initial - 4.00% ultimate.
- For fiscal year 2022, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the long-term expected rate of return was reduced from 7.45% to 7.00%, (b) the discount rate of return was reduced from 7.45% to 7.00% and (c) health care cost trend rates were changed to the following: medical Medicare from -6.69% initial - 4.00% ultimate down to -16.18% initial - 4.00% ultimate; prescription drug Medicare from 11.87% initial - 4.00% ultimate up to 29.98% initial - 4.00% ultimate.
- For fiscal year 2023, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) projected salary increase went from 12.50% at age 20 to 2.50% at age 65 to varies by services from 2.50% to 8.50% and (b) health care cost trend rates were changed to the following: Pre-Medicare from 5.00% initial - 4.00% ultimate to 7.50% initial - 3.94% ultimate; medical Medicare from -16.18% initial - 4.00% ultimate to -68.78% initial - 3.94% ultimate; prescription drug Pre-Medicare from 6.50% initial - 4.00% ultimate to 9.00% initial - 3.94% ultimate; Medicare from 29.98% initial - 4.00% ultimate to -5.47% initial - 3.94% ultimate.

Western Reserve Local School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

<u>Federal Grantor/Program Title</u>	<u>Federal ALN</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>		
<i>Passed through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program:		
Cash Assistance	10.553	\$ 165,326
Total School Breakfast Program		<u>165,326</u>
National School Lunch Program:		
Cash Assistance	10.555	384,143
Non-cash Assistance (Food Distribution)	10.555	40,828
Total National School Lunch Program		<u>424,971</u>
Total Child Nutrition Cluster		<u>590,297</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	<u>628</u>
Total U.S. Department of Agriculture		<u>590,925</u>
<u>U.S. Department of Education:</u>		
<i>(Passed through Ohio Department of Education)</i>		
Title I Grants to Local Educational Agencies	84.010A	181,210
Special Education Cluster (IDEA):		
Special Education - Grants to States	84.027A	250,067
COVID-19 - ARP IDEA Part B Special Education	84.027X	24,867
Special Education - Preschool Grants	84.173A	8,092
COVID-19 - ARP IDEA Early Childhood Special Education	84.173X	315
Total Special Education Cluster (IDEA)		<u>283,341</u>
Supporting Effective Instruction State Grants	84.376A	36,719
Student Support and Academic Enrichment Program	84.424A	14,455
Education Stabilization Fund		
COVID-19 - Elementary and Secondary School Emergency Relief Fund II	84.425D	363
COVID-19 - Elementary and Secondary School Emergency Relief Fund III (ARP ESSER)	84.425U	912,384
Total Education Stabilization Fund		<u>912,747</u>
Total U.S. Department of Education		<u>1,428,472</u>
Total Expenditures of Federal Awards		<u>2,019,397</u>

See accompanying notes to the schedule of expenditure of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Western Reserve Local School District, Huron County, Ohio (the District) under programs of the federal government for the year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E - FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2023 to 2024 programs:

<u>Program Title</u>	<u>ALN</u>	<u>Amt. Transferred</u>
American Rescue Plan Act Special Education- Grants to States	84.027X	24,266
American Rescue Plan Act Special Education- Preschool Grants	84.173X	1,101
Title I Grants to Local Educational Agencies	84.010A	55,239
Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	462,190

**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**

Board of Education
Western Reserve Local School District
3765 State Route 20 East
Collins, Ohio 44826

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Reserve Local School District, Huron County, Ohio (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

District's Response to Finding

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
December 21, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Education
Western Reserve Local School District
3765 State Route 20 East
Collins, Ohio 44826

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Western Reserve Local School District's, Huron County, Ohio (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Clark, Schaefer, Hackett & Co.

Maumee, Ohio
December 21, 2023

**WESTERN RESERVE LOCAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
• ALN 84.425D, and 84.425U – COVID-19 - Education Stabilization Fund	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	No

WESTERN RESERVE LOCAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023
(continued)

Section II – Financial Statement Findings

Finding 2023-001 – Significant Deficiency/Financial Reporting

Condition: During the financial statement preparation process, the District discovered a material error in the prior year's financial statements. A deficiency in internal control exists when the design of 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. In this case, the internal controls over the preparation and review of the District's financial statements did not operate as designed and we consider this a material weakness.

A correction of an error was necessary to correct capital assets balances.

Recommendation: We recommend the District enhance its internal controls over financial reporting with steps such as management's analysis of the financials compared to prior years to ensure the preparation of complete, accurate and reliable financial statements in accordance with generally accepted accounting principles.

*Views of
Responsible
Officials:* See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

None

Western Reserve Local School District

3765 US 20 - Collins, Ohio 44826

Phone: 419-660-8508 - Fax: 419-660-8429



December 21, 2023

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	The District will enhance its internal controls over financial reporting with steps such as management's analysis of the financials compared to prior years to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.	11/30/2024	Mrs. Shawna Baker, Treasurer

Sincerely,

Mrs. Shawna Baker
Treasurer

Western Reserve Local School District

3765 US 20 - Collins, Ohio 44826

Phone: 419-660-8508 - Fax: 419-660-8429



December 21, 2023

SCHEDULE OF PRIOR AUDIT FINDINGS June 30, 2023

Finding Number	Summary	Status
2022-001	Material errors in financial reporting were identified by the auditors.	Repeated – See 2023-001

Sincerely,

Mrs. Shawna Baker
Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



WESTERN RESERVE LOCAL SCHOOL DISTRICT

HURON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/1/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov