

Warren City School District
Trumbull County, Ohio
Audited Financial Statements

June 30, 2010



Dave Yost • Auditor of State

Board of Education
Warren City School District
105 High Street
Warren, Ohio 44481

We have reviewed the *Independent Auditor's Report* of the Warren City School District, Trumbull County, prepared by Rea & Associates, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Warren City School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 17, 2011

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WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

JUNE 30, 2010

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**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

JUNE 30, 2010

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Warren City School District
Warren, OH 44481

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren City School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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, 2010, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Warren City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$452,108 which represents a 0.30% decrease from 2009.
- General revenues accounted for \$61,979,077 in revenue or 78.67% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$16,800,018 or 21.33% of total revenues of \$78,779,095.
- The District had \$79,231,203 in expenses related to governmental activities; \$16,800,018 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 \$61,979,077 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$59,056,631 in revenues and other financing sources, and \$59,158,327 in expenditures and other financing uses. During fiscal 2010, the general fund's fund balance decreased \$101,696 from \$13,361,180 to \$13,259,484.
- The classroom facilities fund had \$1,320,568 in revenues and other financing sources and \$21,268,895 in expenditures and other financing uses. During fiscal 2010, the classroom facilities fund's fund balance decreased \$19,948,327 from \$42,503,291 to \$22,554,964.

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 assets 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 and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District as a Whole

Statement of Net Assets 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 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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.

In the statement of net assets 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.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. 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 funds. The District's major governmental funds are the general fund and classroom facilities 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 accounting, which measures cash and all other financial assets than 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 on the statement of net assets and in the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service funds account for self-insurance, warehouse service and parking programs. The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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. These notes to the basic financial statements can be found on pages 26-56 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 78,220,720	\$ 102,558,313
Capital assets, net	<u>139,006,176</u>	<u>116,757,797</u>
Total assets	<u>217,226,896</u>	<u>219,316,110</u>
<u>Liabilities</u>		
Current liabilities	28,526,576	30,289,964
Long-term liabilities	<u>39,853,838</u>	<u>39,727,556</u>
Total liabilities	<u>68,380,414</u>	<u>70,017,520</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	116,044,665	107,590,982
Restricted	17,494,919	25,110,323
Unrestricted	<u>15,306,898</u>	<u>16,597,285</u>
Total net assets	<u>\$ 148,846,482</u>	<u>\$ 149,298,590</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$148,846,482. Of this total, \$15,306,898 is unrestricted in use.

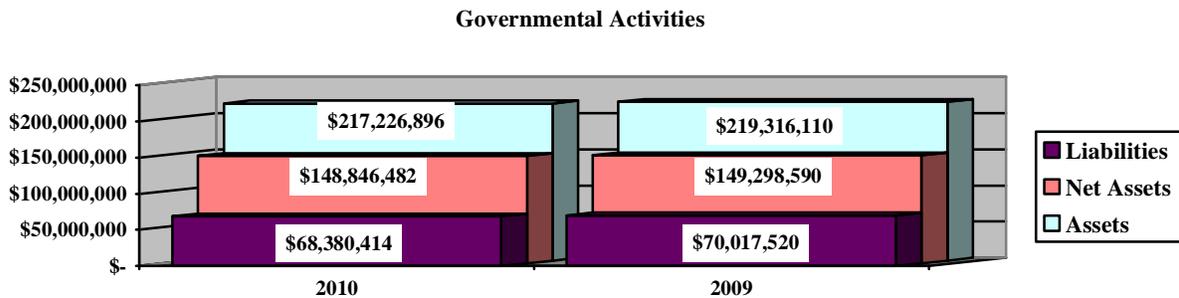
**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 63.99% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$116,044,665. 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.

A portion of the District's net assets, \$17,494,919, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$15,306,898 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets at June 30, 2010 and 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

Change in Net Assets

	Governmental Activities 2010	Governmental Activities 2009
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,536,405	\$ 2,167,813
Operating grants and contributions	14,263,613	11,274,398
Capital grants and contributions	-	59,137
General revenues:		
Property taxes	14,779,448	14,171,347
Grants and entitlements	46,477,551	44,031,425
Investment earnings	651,850	2,947,575
Miscellaneous	70,228	290,057
Total revenues	78,779,095	74,941,752

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**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Change in Net Assets (Continued)	
	Governmental Activities 2010	Governmental Activities 2009
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 29,501,729	\$ 29,451,873
Special	10,335,657	10,480,059
Vocational	189,774	252,776
Other	2,719,671	3,830,846
Support services:		
Pupil	3,491,041	3,562,126
Instructional staff	5,451,084	5,301,714
Board of education	65,711	37,800
Administration	5,488,672	4,952,348
Fiscal	1,063,207	1,100,726
Business	732,211	686,970
Operations and maintenance	9,418,820	7,720,964
Pupil transportation	2,921,401	2,906,434
Central	1,393,176	1,337,094
Operations of non-instructional services:		
Food service operations	3,023,824	2,977,208
Other non-instructional services	534,730	593,922
Extracurricular activities	1,230,267	1,428,820
Interest and fiscal charges	<u>1,670,228</u>	<u>1,670,670</u>
Total expenses	<u>79,231,203</u>	<u>78,292,350</u>
Special item:	<u>-</u>	<u>(2,681,595)</u>
Change in net assets	(452,108)	(6,032,193)
Net assets at beginning of year	<u>149,298,590</u>	<u>155,330,783</u>
Net assets at end of year	<u>\$ 148,846,482</u>	<u>\$ 149,298,590</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$452,108. Total governmental expenses of \$79,231,203 were offset by program revenues of \$16,800,018 and general revenues of \$61,979,077. Program revenues supported 21.20% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 76.57% of total governmental revenue.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

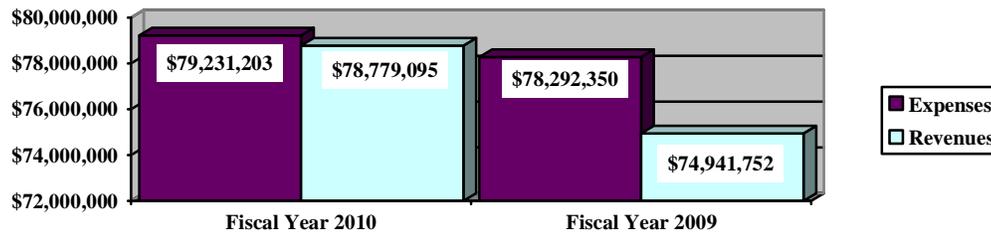
Operating grants and contributions increased by approximately \$3 million over the prior fiscal year. This is primarily due to grants received from the American Recovery and Reinvestment Act (ARRA). Interest revenue decreased \$2.3 million due to lower interest rates and the District having less funds to invest during the year.

Expenses increased 1.20% from the prior fiscal year.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$42,746,831 or 53.95% of total governmental expenses for fiscal 2010.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 29,501,729	\$ 26,329,001	\$ 29,451,873	\$ 28,752,371
Special	10,335,657	6,399,979	10,480,059	3,762,984
Vocational	189,774	(22,746)	252,776	26,888
Other	2,719,671	2,695,670	3,830,846	3,812,299
Support services:				
Pupil	3,491,041	2,930,901	3,562,126	3,232,966
Instructional staff	5,451,084	1,999,499	5,301,714	3,975,946
Board of education	65,711	65,711	37,800	37,800
Administration	5,488,672	5,230,730	4,952,348	4,839,383
Fiscal	1,063,207	744,298	1,100,726	1,023,375
Business	732,211	732,183	686,970	681,679
Operations and maintenance	9,418,820	9,221,616	7,720,964	7,615,026
Pupil transportation	2,921,401	2,296,299	2,906,434	2,313,559
Central	1,393,176	1,393,176	1,337,094	1,337,094
Operations of non-instructional services:				
Food service operations	3,023,824	(312,828)	2,977,208	471,993
Other non-instructional services	534,730	98,055	593,922	117,980
Extracurricular activities	1,230,267	959,413	1,428,820	1,118,989
Interest and fiscal charges	<u>1,670,228</u>	<u>1,670,228</u>	<u>1,670,670</u>	<u>1,670,670</u>
Total expenses	<u>\$ 79,231,203</u>	<u>\$ 62,431,185</u>	<u>\$ 78,292,350</u>	<u>\$ 64,791,002</u>

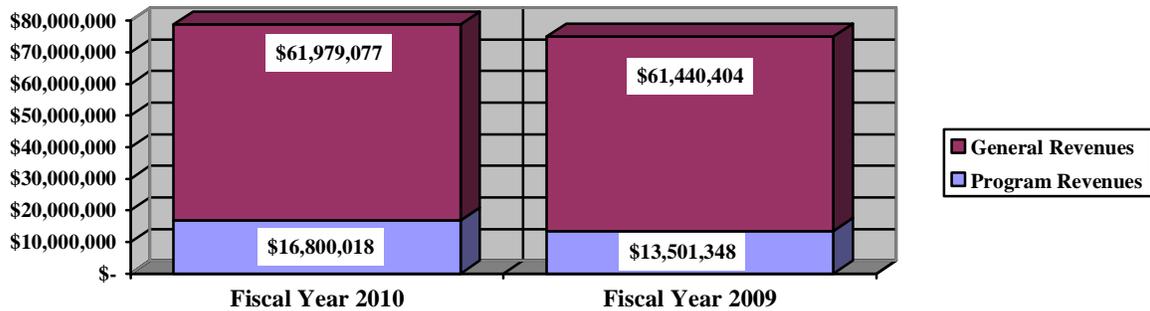
The dependence upon tax and other general revenues for governmental activities is apparent, 82.82% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.80%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$40,812,791, which is less than last year's total of \$64,097,558. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Fund Balance June 30, 2009	Increase (Decrease)	Percentage Change
Major funds:				
General	\$ 13,259,484	\$ 13,361,180	\$ (101,696)	(0.76) %
Classroom facilities	22,554,964	42,503,291	(19,948,327)	(46.93) %
Other governmental	<u>4,998,343</u>	<u>8,233,087</u>	<u>(3,234,744)</u>	(39.29) %
Total	<u>\$ 40,812,791</u>	<u>\$ 64,097,558</u>	<u>\$ (23,284,767)</u>	(36.33) %

General Fund

The District's general fund balance decreased \$101,696. The decrease in fund balance can be attributed to several items related to increasing revenues being less than increasing expenditures. Tax revenue decreased 9.26% when compared to the prior fiscal year. This is mainly due to the phase-out of the tangible personal property tax on businesses under HB 66. HB 66 provides for a reimbursement of this lost revenue from the State. This is the primary reason intergovernmental revenue increased during fiscal year 2010. Earnings on investments decreased due to lower market interest rates.

Instructional expenditures increased 3.25% over the prior fiscal year. This increase is due to an increase in wages and benefits. Support services expenditures increased 2.97%. This is primarily due to the increased cost of basic utilities.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 12,283,384	\$ 13,536,392	\$ (1,253,008)	(9.26) %
Tuition	1,242,659	1,079,273	163,386	15.14 %
Earnings on investments	269,421	1,366,469	(1,097,048)	(80.28) %
Intergovernmental	44,816,853	42,369,655	2,447,198	5.78 %
Other revenues	<u>353,850</u>	<u>398,717</u>	<u>(44,867)</u>	(11.25) %
Total	<u>\$ 58,966,167</u>	<u>\$ 58,750,506</u>	<u>\$ 215,661</u>	0.37 %
<u>Expenditures</u>				
Instruction	\$ 35,097,433	\$ 33,992,101	\$ 1,105,332	3.25 %
Support services	23,093,771	22,465,997	627,774	2.79 %
Non-instructional services	3,905	-	3,905	100.00 %
Extracurricular activities	798,453	818,626	(20,173)	(2.46) %
Facilities acquisition and construction	<u>42,258</u>	<u>-</u>	<u>42,258</u>	100.00 %
Total	<u>\$ 59,035,820</u>	<u>\$ 57,276,724</u>	<u>\$ 1,759,096</u>	3.07 %

Classroom Facilities Fund

The classroom facilities fund had \$1,320,568 in revenues and other financing sources and \$21,268,895 in expenditures and other financing uses. During fiscal 2010, the classroom facilities fund's fund balance decreased \$19,948,327 from \$42,503,291 to \$22,554,964. The decrease in fund balance is due to expenditures for the District's construction project.

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.

During the course of fiscal 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and financing sources were \$56,673,953 and final budgeted revenues and other financing sources were \$59,336,285. Actual revenues and other financing sources for fiscal 2010 were \$58,995,100. This represents a \$341,185 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$65,206,289 were decreased to \$64,021,239 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$62,176,942, which was \$1,844,297 less than the final budget appropriations.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$139,006,176 invested in land, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 8,350,888	\$ 8,202,888
Construction in progress	30,025,277	8,653,694
Building and improvements	99,875,688	99,100,909
Furniture and equipment	275,291	240,011
Vehicles	479,032	560,295
Total	\$ 139,006,176	\$ 116,757,797

The overall increase in capital assets of \$22,248,379 is due to capital outlays of \$25,969,861 exceeding depreciation expense of \$2,263,221 and disposals of \$1,458,261 (net of accumulated depreciation) during the fiscal year.

Debt Administration

At June 30, 2010, the District had \$34,515,000 in general obligation bonds and \$831,250 in tax anticipation notes outstanding. Of this total, \$832,500 is due within one year and \$34,513,750 due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2010	2009
General obligation bonds	\$ 34,515,000	\$ 35,210,000
Tax anticipation notes	831,250	-
Total	\$ 35,346,250	\$ 35,210,000

At June 30, 2010, the District had a voted debt margin of \$885,789 and an unvoted debt margin of \$369,862.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Related Financial Activities

Overall, the District remains financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. The anticipated State funding revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2010. However, the future financial stability of the District is not without challenges.

The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2012. The District is currently continuing its plan to control spending for the future.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the State and Federal government. Examples are the Educational Management Information System (State) and No Child Left Behind (Federal) compliance.

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 the community. Sound fiscal management by the Board and Administration has enabled the District to maintain its cash balance.

The District's Five Year Forecast indicates that additional revenues will be required in fiscal year 2013. In recent fiscal years the Board and Administration have carefully managed the budget to minimize the size of an additional request from the community. The District will continue to monitor and cut costs where possible to further decrease the request.

The District is excited and looking forward to the completion of its Ohio School Facilities Commission (OSFC) Project in September 2010. The project provides new school buildings for every student in the District. The local community passed a Bond Issue in November 2003 to provide the Local Share of the Project and the funds for Locally Funded Initiatives to further enhance the project.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Ms. Angela Lewis, Treasurer, Warren City School District, 105 High Street, Warren, Ohio 44481.

**BASIC
FINANCIAL STATEMENTS**

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 35,381,062
Investments.	22,464,493
Cash with escrow agent	456,595
Receivables:	
Taxes	17,683,042
Accounts.	4,950
Intergovernmental	1,618,298
Accrued interest	53,967
Materials and supplies inventory.	160,321
Unamortized bond issue costs	397,992
Capital assets:	
Land and construction in progress.	38,376,165
Depreciable capital assets, net.	100,630,011
Capital assets, net	139,006,176
 Total assets	 217,226,896
 Liabilities:	
Accounts payable.	919,816
Contracts payable.	2,349,621
Retainage payable	456,595
Accrued wages and benefits	6,338,341
Pension obligation payable.	1,559,069
Intergovernmental payable	2,929,436
Accrued interest payable	135,910
Claims payable.	631,715
Unearned revenue	13,206,073
Long-term liabilities:	
Due within one year.	1,506,273
Due in more than one year	38,347,565
 Total liabilities	 68,380,414
 Net assets:	
Invested in capital assets, net of related debt.	116,044,665
Restricted for:	
Capital projects	10,229,915
Classroom facilities maintenance	2,189,487
Debt service.	2,447,179
State funded programs.	263,465
Federally funded programs	426,720
Public school support	121,695
Student activities	44,981
Food service operations.	1,271,697
Other purposes	499,780
Unrestricted	15,306,898
 Total net assets	 \$ 148,846,482

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 29,501,729	\$ 738,430	\$ 2,434,298	\$ (26,329,001)
Special	10,335,657	550,167	3,385,511	(6,399,979)
Vocational	189,774	-	212,520	22,746
Other	2,719,671	24,001	-	(2,695,670)
Support services:				
Pupil	3,491,041	2,577	557,563	(2,930,901)
Instructional staff	5,451,084	29,185	3,422,400	(1,999,499)
Board of education	65,711	-	-	(65,711)
Administration	5,488,672	9,775	248,167	(5,230,730)
Fiscal	1,063,207	169,819	149,090	(744,298)
Business	732,211	28	-	(732,183)
Operations and maintenance	9,418,820	94,894	102,310	(9,221,616)
Pupil transportation	2,921,401	106,311	518,791	(2,296,299)
Central	1,393,176	-	-	(1,393,176)
Operation of non-instructional services:				
Food service operations	3,023,824	552,772	2,783,880	312,828
Other non-instructional services	534,730	1,670	435,005	(98,055)
Extracurricular activities	1,230,267	256,776	14,078	(959,413)
Interest and fiscal charges	1,670,228	-	-	(1,670,228)
Total governmental activities	<u>\$ 79,231,203</u>	<u>\$ 2,536,405</u>	<u>\$ 14,263,613</u>	<u>(62,431,185)</u>
General revenues:				
Property taxes levied for:				
General purposes				12,800,873
Special revenue				136,749
Debt service				1,695,072
Capital projects				146,754
Grants and entitlements not restricted to specific programs				45,538,136
Grants and entitlements restricted for Ohio Schools Facilities Commission				939,415
Investment earnings				651,850
Miscellaneous				70,228
Total general revenues				<u>61,979,077</u>
Change in net assets				(452,108)
Net assets at beginning of year				<u>149,298,590</u>
Net assets at end of year				<u>\$ 148,846,482</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 17,800,695	\$ 4,650,587	\$ 8,325,393	\$ 30,776,675
Investments.	-	22,464,493	-	22,464,493
Cash with escrow agent	-	456,595	-	456,595
Receivables:				
Taxes.	15,211,035	-	2,472,007	17,683,042
Accounts.	671	-	4,279	4,950
Intergovernmental	56,229	-	1,562,069	1,618,298
Accrued interest	33,526	20,441	-	53,967
Interfund loans.	2,263,500	-	-	2,263,500
Due from other funds	43,869	-	90	43,959
Materials and supplies inventory.	-	-	160,321	160,321
Restricted assets:				
Equity in pooled cash and cash equivalents.	323,647	-	-	323,647
Total assets	<u>\$ 35,733,172</u>	<u>\$ 27,592,116</u>	<u>\$ 12,524,159</u>	<u>\$ 75,849,447</u>
Liabilities:				
Accounts payable	\$ 774,390	\$ -	\$ 132,646	\$ 907,036
Contracts payable.	-	2,031,793	317,828	2,349,621
Retainage payable.	-	456,595	-	456,595
Accrued wages and benefits.	4,894,724	-	1,443,617	6,338,341
Compensated absences payable	336,940	-	-	336,940
Pension obligation payable	1,097,601	-	461,468	1,559,069
Intergovernmental payable	312,040	2,542,956	74,440	2,929,436
Interfund loans payable.	-	-	2,263,500	2,263,500
Due to other funds	2,203	-	43,869	46,072
Deferred revenue	3,755,236	5,808	882,929	4,643,973
Unearned revenue.	11,300,554	-	1,905,519	13,206,073
Total liabilities.	<u>22,473,688</u>	<u>5,037,152</u>	<u>7,525,816</u>	<u>35,036,656</u>
Fund balances:				
Reserved for encumbrances	684,903	4,784,416	714,091	6,183,410
Reserved for supplies inventory.	-	-	160,321	160,321
Reserved for tax revenue				
unavailable for appropriation	222,288	-	37,205	259,493
Reserved for BWC refunds	323,647	-	-	323,647
Unreserved, undesignated (deficit), reported in:				
General fund.	12,028,646	-	-	12,028,646
Special revenue funds	-	-	3,935,282	3,935,282
Debt service fund	-	-	2,081,165	2,081,165
Capital projects funds	-	17,770,548	(1,929,721)	15,840,827
Total fund balances	<u>13,259,484</u>	<u>22,554,964</u>	<u>4,998,343</u>	<u>40,812,791</u>
Total liabilities and fund balances	<u>\$ 35,733,172</u>	<u>\$ 27,592,116</u>	<u>\$ 12,524,159</u>	<u>\$ 75,849,447</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$	40,812,791
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			139,006,176
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	4,231,600	
Intergovernmental receivable		392,239	
Accrued interest receivable		20,134	
		4,643,973	
Total			4,643,973
An internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			3,638,358
Unamortized premium on bond issuance is not recognized in the funds.			(765,982)
Unamortized bond issuance costs are not recognized in the funds.			397,992
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(135,910)
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		34,515,000	
Tax anticipation note		831,250	
Compensated absences		3,404,666	
		(38,750,916)	
Total			(38,750,916)
Net assets of governmental activities		\$	148,846,482

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 12,283,384	\$ -	\$ 1,975,490	\$ 14,258,874
Tuition	1,242,659	-	-	1,242,659
Transportation fees	103,420	-	-	103,420
Earnings on investments	269,421	371,401	3,469	644,291
Charges for services	-	-	551,378	551,378
Extracurricular	-	-	225,821	225,821
Classroom materials and fees	-	-	28,019	28,019
Other local revenues	250,430	-	229,824	480,254
Intergovernmental - state	44,481,911	939,415	1,943,126	47,364,452
Intergovernmental - federal	334,942	-	12,868,798	13,203,740
Total revenue	<u>58,966,167</u>	<u>1,310,816</u>	<u>17,825,925</u>	<u>78,102,908</u>
Expenditures:				
Current:				
Instruction:				
Regular	25,587,444	-	2,941,296	28,528,740
Special	6,653,927	-	3,355,364	10,009,291
Vocational	182,857	-	-	182,857
Other	2,673,205	-	100,451	2,773,656
Support services:				
Pupil	2,755,098	-	586,179	3,341,277
Instructional staff	2,370,740	-	2,998,949	5,369,689
Board of education	65,711	-	-	65,711
Administration	5,021,305	-	266,359	5,287,664
Fiscal	852,529	-	196,521	1,049,050
Business	725,465	-	91	725,556
Operations and maintenance	7,399,956	-	326,023	7,725,979
Pupil transportation	2,551,896	-	237,912	2,789,808
Central	1,351,071	-	-	1,351,071
Operation of non-instructional services:				
Food service operations	-	-	3,032,658	3,032,658
Other non-instructional services	3,905	-	536,272	540,177
Extracurricular activities	798,453	-	362,459	1,160,912
Facilities acquisition and construction	42,258	21,268,880	4,680,994	25,992,132
Debt service:				
Principal retirement	-	-	738,750	738,750
Interest and fiscal charges	-	-	1,686,914	1,686,914
Total expenditures	<u>59,035,820</u>	<u>21,268,880</u>	<u>22,047,192</u>	<u>102,351,892</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>(69,653)</u>	<u>(19,958,064)</u>	<u>(4,221,267)</u>	<u>(24,248,984)</u>
Other financing sources (uses):				
Sale of capital assets	35,317	-	-	35,317
Sale of notes	-	-	875,000	875,000
Transfers in	55,147	9,752	125,030	189,929
Transfers (out)	(122,507)	(15)	(67,407)	(189,929)
Total other financing sources (uses)	<u>(32,043)</u>	<u>9,737</u>	<u>932,623</u>	<u>910,317</u>
Net change in fund balances	(101,696)	(19,948,327)	(3,288,644)	(23,338,667)
Fund balances at beginning of year	13,361,180	42,503,291	8,233,087	64,097,558
Increase in reserve for inventory	-	-	53,900	53,900
Fund balances at end of year	<u>\$ 13,259,484</u>	<u>\$ 22,554,964</u>	<u>\$ 4,998,343</u>	<u>\$ 40,812,791</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL 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, 2010

Net change in fund balances - total governmental funds	\$	(23,338,667)
<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. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 24,498,764	
Current year depreciation	(2,249,043)	
Total	22,249,721	22,249,721
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(1,342)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	520,574	
Intergovernmental revenue	144,830	
Interest revenue	10,783	
Total	676,187	676,187
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		738,750
The sale of notes is reported as an other financing source in the governmental funds, however it increases long-term liabilities on the statement of net assets.		
		(875,000)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		53,900
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. Less interest is reported in the statement of activities due to the following:		
Increase in accrued interest payable	(497)	
Amortization of bond issuance costs	(18,583)	
Amortization of bond premium	35,766	
Total	16,686	16,686
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		
		(11,645)
The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.		
		39,302
Change in net assets of governmental activities	\$	(452,108)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL 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, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 11,633,941	\$ 12,180,460	\$ 12,181,042	\$ 582
Tuition.	1,218,041	1,275,260	1,262,660	(12,600)
Transportation fees.	114,615	120,000	110,758	(9,242)
Earnings on investments	211,084	221,000	192,439	(28,561)
Other local revenues	245,783	257,329	239,744	(17,585)
Intergovernmental - state	42,756,909	44,765,470	44,488,745	(276,725)
Intergovernmental - federal	320,656	335,719	334,942	(777)
Total revenue	<u>56,501,029</u>	<u>59,155,238</u>	<u>58,810,330</u>	<u>(344,908)</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,081,122	25,604,173	25,434,342	169,831
Special.	6,841,641	6,716,527	6,678,251	38,276
Vocational.	191,585	188,081	181,455	6,626
Other.	2,793,184	2,742,105	2,648,151	93,954
Support services:				
Pupil.	2,834,630	2,782,793	2,721,648	61,145
Instructional staff	2,604,560	2,556,930	2,506,825	50,105
Board of education	86,849	85,261	76,273	8,988
Administration.	5,281,613	5,192,413	4,994,184	198,229
Fiscal	986,403	968,365	849,493	118,872
Business	827,191	812,064	756,148	55,916
Operations and maintenance.	8,839,653	8,678,001	7,978,176	699,825
Pupil transportation	2,877,931	2,825,302	2,653,802	171,500
Central.	1,651,222	1,621,026	1,478,228	142,798
Extracurricular activities.	831,905	816,691	807,805	8,886
Facilities acquisition and construction	21,900	21,500	21,129	371
Total expenditures	<u>62,751,389</u>	<u>61,611,232</u>	<u>59,785,910</u>	<u>1,825,322</u>
Excess of revenues over (under) expenditures.	<u>(6,250,360)</u>	<u>(2,455,994)</u>	<u>(975,580)</u>	<u>1,480,414</u>
Other financing sources (uses):				
Refund of prior year's expenditures	90,737	95,000	94,254	(746)
Refund of prior year's (receipts).	(5,093)	(5,000)	(5,000)	-
Contingencies.	(18,335)	(18,000)	-	18,000
Transfers in	52,673	55,147	55,147	-
Transfers (out).	(124,789)	(122,507)	(122,507)	-
Advances (out)	(2,305,664)	(2,263,500)	(2,263,500)	-
Other miscellaneous (uses) of funds.	(1,019)	(1,000)	(25)	975
Sale of capital assets	29,514	30,900	35,369	4,469
Total other financing sources (uses)	<u>(2,281,976)</u>	<u>(2,228,960)</u>	<u>(2,206,262)</u>	<u>22,698</u>
Net change in fund balance	(8,532,336)	(4,684,954)	(3,181,842)	1,503,112
Fund balance at beginning of year	18,926,279	18,926,279	18,926,279	-
Prior year encumbrances appropriated . . .	940,766	940,766	940,766	-
Fund balance at end of year	<u>\$ 11,334,709</u>	<u>\$ 15,182,091</u>	<u>\$ 16,685,203</u>	<u>\$ 1,503,112</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 4,280,740
Receivables:	
Due from other funds.	<u>2,113</u>
Total assets.	<u>4,282,853</u>
Liabilities:	
Current liabilities:	
Accounts payable.	12,780
Claims payable	<u>631,715</u>
Total liabilities	<u>644,495</u>
Net assets:	
Unrestricted.	<u>3,638,358</u>
Total net assets	<u><u>\$ 3,638,358</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services.	6,108,312
Other	187,799
Total operating revenues	6,296,111
 Operating expenses:	
Personal services.	3,062
Purchased services.	54,414
Materials and supplies	311,683
Claims	5,887,650
Total operating expenses.	6,256,809
 Change in net assets.	39,302
 Net assets at beginning of year	3,599,056
 Net assets at end of year.	\$ 3,638,358

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received charges for services.	\$ 6,108,312
Cash received from other operating revenues.	194,796
Cash payments for personal services.	(3,062)
Cash payments for purchased services	(54,414)
Cash payments for materials and supplies	(134,090)
Cash payments for claims	<u>(6,055,035)</u>
Net cash provided by operating activities	<u>56,507</u>
Net increase in cash and cash equivalents.	56,507
Cash and cash equivalents at beginning of year	4,224,233
Cash and cash equivalents at end of year	<u><u>\$ 4,280,740</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 39,302
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	166,981
Decrease in due from other funds.	6,997
Increase in accounts payable	10,612
(Decrease) in claims payable	<u>(167,385)</u>
Net cash provided by operating activities	<u><u>\$ 56,507</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 29,059	\$ 26,068
Total assets.	<u>29,059</u>	<u><u>26,068</u></u>
Liabilities:		
Due to students.	<u>-</u>	<u>\$ 26,068</u>
Total liabilities	<u>-</u>	<u><u>\$ 26,068</u></u>
Net assets:		
Held in trust for scholarships	<u>29,059</u>	
Total net assets	<u><u>\$ 29,059</u></u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 161
Change in net assets.	161
Net assets at beginning of year	28,898
Net assets at end of year.	\$ 29,059

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Warren City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 55th largest by enrollment among the 905 public and community school districts in the State. The District employs 320 non-certified and 502 certified employees to provide services to approximately 5,483 students and community groups. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities and its internal service funds provided it does not conflict with or contradict GASB pronouncements. 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". When applying GASB Statement No. 14 and GASB Statement No. 39, management has considered all potential component units. 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, preschool 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 have access to the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; (4) or 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 this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

Trumbull Career and Technical Center

The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer at 528 Educational Highway, Warren, Ohio 44483.

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board, which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2010. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, the county superintendent from each participating county, one city superintendent, and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

Region 12 Professional Development Center (RPDC)

The RPDC is a jointly governed organization among the school districts located in Trumbull, Mahoning, and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The RPDC is governed by a board made up of 19 representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 6000 Youngstown-Warren Road, Niles, Ohio 44446.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Classroom facilities fund - The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the school district and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; (c) grants and other resources whose use is restricted to a particular purpose; and (d) food service operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service funds:

Internal service funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The internal service funds of the District account for self-insurance, warehouse service and parking programs.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust, which primarily accounts for memorial and scholarship programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activity.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets 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. Internal service funds operating activities are eliminated to avoid overstatement of revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at fiscal year end. 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 or capital 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 and all liabilities associated with the operation of the District are included on the statement of net assets.

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. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Like the government-wide statements, the internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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 on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property 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 6). 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, interest, tuition, grants, student fees and rentals.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2010, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used 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. Unused donated commodities are 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.

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 2010 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 Trumbull 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 of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2010.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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.)

Resolution 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 appropriations totals.

5. Any revisions that alter the total of any object appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted. The final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 cash equivalents" on the basic financial statements.

During fiscal year 2010, investments were limited to federal agency securities, U.S. government money market mutual funds, negotiable CDs and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2010 amounted to \$269,421, which includes \$119,077 assigned from other District funds.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

For presentation on the 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 investments at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are reported on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the governmental fund financial statements, and the consumption method on the government-wide financial statements.

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

H. Capital Assets

General capital 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 assets 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 fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

I. Interfund Balances

Interfund loans that are used to cover negative cash balances or are due to another fund for services provided are classified as "due to/from other funds". Receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." These amounts are eliminated in the governmental activities columns of the statement of net assets.

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 sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, 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 with at least fifteen years or more of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave has been calculated using pay rates in effect at June 30, 2010 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, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation and BWC refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

M. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for BWC refunds. See Note 16 for details.

N. 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.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily represent amounts set-aside by State statute for BWC refunds, adult education, and uniform school supplies.

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

P. Unamortized Bond Issuance Costs

On the governmental fund statements, bond issuance costs are recorded as expenditures when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Q. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. 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. During fiscal year 2010, the District had no extraordinary or special items.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Building	\$ 1,862,837
Public school preschool	2,751
DPIA	1,789
Alternative education	7,969
Poverty aid	1,108
Title VI-B	93,982

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the building fund is the result of an interfund loan from the general fund. The deficit fund balances in the other funds resulted from adjustments for accrued liabilities.

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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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. 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.

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.

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. Cash on Hand

At fiscal year end, the District had \$4,770 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Escrow Agent

At fiscal year end, \$456,595 was on deposit in the District's escrow account and excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$14,693,341. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$4,862,987 of the District’s bank balance of \$16,375,593 was exposed to custodial risk as discussed below, while \$11,512,606 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 500,155	\$ -	\$ 500,155	\$ -	\$ -	\$ -
FFCB	1,028,130	-	-	-	1,028,130	-
FNMA	1,094,489	-	-	-	-	1,094,489
Negotiable CDs	38,801,912	18,005,764	11,534,048	4,750,814	3,757,402	753,884
U.S. Government money market mutual funds	1,604,969	1,604,969	-	-	-	-
STAR Ohio	172,916	172,916	-	-	-	-
	<u>\$ 43,202,571</u>	<u>\$ 19,783,649</u>	<u>\$ 12,034,203</u>	<u>\$ 4,750,814</u>	<u>\$ 4,785,532</u>	<u>\$ 1,848,373</u>

The weighted average maturity of investments is .78 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District’s investments in federal agency securities and negotiable CDs were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent 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, 2010:

<u>Investment type</u>	<u>Fair value</u>	<u>% of Total</u>
FHLB	\$ 500,155	1.16
FFCB	1,028,130	2.38
FNMA	1,094,489	2.53
Negotiable CDs	38,801,912	89.81
U.S. Government money market mutual funds	1,604,969	3.71
STAR Ohio	172,916	0.41
	<u>\$ 43,202,571</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 14,693,341
Investments	43,202,571
Cash with escrow agent	456,595
Cash on hand	4,770
Total	<u>\$ 58,357,277</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 58,302,150
Private-purpose trust fund	29,059
Agency fund	26,068
Total	<u>\$ 58,357,277</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consisted of the following due to/from other funds at June 30, 2010, as reported on the fund statements:

	<u>Amount</u>
<u>Due to the general fund from:</u>	
Nonmajor governmental funds	\$ 43,869
 <u>Due to nonmajor governmental funds from:</u>	
General fund	90
 <u>Due to nonmajor proprietary funds from:</u>	
General fund	2,113

The primary purpose of the interfund loans due to the general fund is to cover a negative cash balance in the improving teacher quality fund, nonmajor governmental funds. This negative cash balance is allowable under Ohio Revised Code Section 3315.20. The interfund balance will be repaid once the anticipated revenues are received. There are also amounts due to the general fund from nonmajor governmental funds for services provided on account.

The purpose of the interfund loan due to nonmajor governmental funds is for amounts due to the food service fund from the general fund for goods and services provided on account.

The primary purpose of the interfund loans due to the nonmajor proprietary funds is for materials and supplies purchased on account by the general fund from Bernie's warehouse fund, a nonmajor proprietary fund.

Amounts due to/from other funds between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund balances consisted of the following interfund loans receivable/payable at June 30, 2010, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 2,263,500</u>

The primary purpose of the interfund balance is to cover costs in the building fund, a nonmajor governmental fund. This interfund balance 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.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- C. Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers to general fund from:</u>	
Nonmajor governmental funds	\$ 55,147
 <u>Transfers to classroom facilities fund from:</u>	
General fund	1,602
Nonmajor governmental funds	8,150
 <u>Transfers to nonmajor governmental funds from:</u>	
General fund	120,905
Classroom facilities fund	15
Nonmajor governmental funds	4,110

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.

The purpose of the transfer to the general fund was a residual equity transfer from the adult education fund, a nonmajor governmental fund. All transfers made in fiscal year 2010 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

NOTE 6 - 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, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$222,288 in the general fund, \$32,023 in the debt service fund, a nonmajor governmental fund, \$2,797 in the permanent improvement fund, a nonmajor governmental fund, and \$2,385 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$119,946 in the general fund, \$17,206 in the debt service fund, a nonmajor governmental fund, \$1,623 in the permanent improvement fund, a nonmajor governmental fund, and \$1,612 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 tangible personal property taxes which are measurable as of June 30, 2010 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 unearned revenue.

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 deferred.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 353,661,640	95.12	\$ 352,794,840	95.18
Public utility personal	16,433,660	4.42	17,067,390	4.61
Tangible personal property	<u>1,710,553</u>	<u>0.46</u>	<u>812,200</u>	<u>0.21</u>
Total	<u>\$ 371,805,853</u>	<u>100.00</u>	<u>\$ 370,674,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$58.95		\$59.25	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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 assets follows:

Governmental activities:

Taxes	\$ 17,683,042
Accounts	4,950
Intergovernmental	1,618,298
Accrued interest	<u>53,967</u>
Total	<u>\$ 19,360,257</u>

Receivables have been disaggregated on the face of the financial statements. All other receivables are expected to be collected within the subsequent year.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,202,888	\$ 148,000	\$ -	\$ 8,350,888
Construction in progress	8,653,694	22,628,988	(1,257,405)	30,025,277
Total capital assets, not being depreciated	<u>16,856,582</u>	<u>22,776,988</u>	<u>(1,257,405)</u>	<u>38,376,165</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	108,809,213	2,853,347	(1,176,416)	110,486,144
Furniture and equipment	1,340,004	68,340	(124,358)	1,283,986
Vehicles	2,438,611	57,494	(76,093)	2,420,012
Total capital assets, being depreciated	<u>112,587,828</u>	<u>2,979,181</u>	<u>(1,376,867)</u>	<u>114,190,142</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(9,708,304)	(2,078,568)	1,176,416	(10,610,456)
Furniture and equipment	(1,099,993)	(31,718)	123,016	(1,008,695)
Vehicles	(1,878,316)	(138,757)	76,093	(1,940,980)
Total accumulated depreciation	<u>(12,686,613)</u>	<u>(2,249,043)</u>	<u>1,375,525</u>	<u>(13,560,131)</u>
Governmental activities capital assets, net	<u>\$ 116,757,797</u>	<u>\$ 23,507,126</u>	<u>\$ (1,258,747)</u>	<u>\$ 139,006,176</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 881,559
Special	355,780
Vocational	6,476
Other	18,275
<u>Support services:</u>	
Pupil	113,173
Instructional staff	157,298
Administration	189,511
Fiscal	11,079
Business	15,023
Operations and maintenance	213,217
Pupil transportation	131,175
Central	37,117
Food service operations	49,453
Extracurricular activities	69,907
Total depreciation expense	<u>\$ 2,249,043</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance 6/30/09	Additions	Deductions	Balance 6/30/10	Amounts Due in One Year
Governmental activities:					
Compensated absences payable	\$ 3,715,808	\$ 737,101	\$ (711,303)	\$ 3,741,606	\$ 673,773
Tax anticipation note	-	875,000	(43,750)	831,250	87,500
G.O. bonds payable	35,210,000	-	(695,000)	34,515,000	745,000
Total governmental activities long-term liabilities	\$ 38,925,808	\$ 1,612,101	\$ (1,450,053)	39,087,856	\$ 1,506,273
			Add: unamortized premium on bond issue	765,982	
			Total on statement of net assets	\$ 39,853,838	

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, which for the District, is primarily the general fund.

B. During fiscal 2004, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of four new kindergarten through eighth grade buildings and a new high school. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the debt service fund, a nonmajor governmental fund. The source of payment is derived from a current 5.5 mil bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC).

This issue is comprised of current interest bonds, par value \$38,000,000. The interest rates on the current interest bonds range from 2.00% to 5.00%.

At June 30, 2010 there was \$13,150,721 in unspent proceeds remaining on this bond issue.

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, 2031.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2004 series general obligation bonds:

Fiscal Year Ended	General Obligation Bonds		
	Principal	Interest	Total
2011	\$ 745,000	\$ 1,648,965	\$ 2,393,965
2012	800,000	1,623,790	2,423,790
2013	995,000	1,591,134	2,586,134
2014	1,070,000	1,552,683	2,622,683
2015	1,075,000	1,512,193	2,587,193
2016 - 2020	6,050,000	6,721,250	12,771,250
2021 - 2025	7,225,000	5,091,375	12,316,375
2026 - 2030	11,005,000	2,824,875	13,829,875
2031 - 2032	5,550,000	281,000	5,831,000
Total	<u>\$ 34,515,000</u>	<u>\$ 22,847,265</u>	<u>\$ 57,362,265</u>

- C. On December 16, 2009, the District issued \$875,000 in tax anticipation notes in order to provide funds to purchase the District's new administration building. These tax anticipation notes bear an interest rate of 3.25% until December 1, 2014, at which time the interest rate becomes 5.25%. The notes are paid using the proceeds of the permanent improvement tax levy. The notes mature on December 1, 2019. Payments are due semi-annually on June 1 and December 1 from the permanent improvement fund, a nonmajor governmental fund.

The following is a summary of the future debt service requirements to maturity for the tax anticipation notes:

Fiscal Year Ended	Tax Anticipation Notes		
	Principal	Interest	Total
2011	\$ 87,500	\$ 26,305	\$ 113,805
2012	87,500	23,461	110,961
2013	87,500	20,617	108,117
2014	87,500	17,773	105,273
2015	87,500	19,304	106,804
2016 - 2020	393,750	51,679	445,429
Total	<u>\$ 831,250</u>	<u>\$ 159,139</u>	<u>\$ 990,389</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. 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, 2010, are a voted debt margin of \$885,789 (including available funds of \$2,113,188) and an unvoted debt margin of \$369,862.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Full-time employees, including full-time hourly rated and per diem employees, are granted vacation with pay as follows:

<u>Years of Service</u>	<u>Vacation Days</u>
0-1	None
1-8 inclusive	2 weeks annually
After 8-12	3 weeks annually
After 12 or more	4 weeks annually

Any vacation days which are not used as of December 31 are not available for use in a subsequent year for classified personnel. Administrators are permitted to carryover 5 unused days to the next calendar year.

Each employee earns sick leave at the rate of one and one-quarter days for each completed month of service, or 15 days for each completed year of service. The maximum number of sick leave days that employees may accumulate is unlimited. Any sick leave earned or unused in prior employment with another public school district or other agency of the state, shall, upon presentation of a certified copy stating the number of sick leave days earned and unused from such employers, be transferred to the employees account at the time of employment in the manner prescribed by State law.

Retirement severance is paid to each employee with 10 or more years of service in the District who elects to retire from active service or who dies while on active service. The employee, or his/her estate shall receive, in one lump sum 1/4 of the value of his/her accrued and unused sick leave to a maximum of 30 days (1/4 of 120 days) multiplied times his/her per diem rate at the time of retirement. Sick leave balances in excess of the 120 days are paid at 1/8 the per diem rate.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT

A. General Risk

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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. Property insurance is maintained in with a \$10,000 deductible. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. In addition, the District maintains a \$6,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

B. Workers' Compensation

Workers' compensation coverage is provided by the State of Ohio. The District pays the Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

C. Health Insurance

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure basic medical coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the general fund and certain nonmajor governmental funds. Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimate. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$631,715 at June 30, 2010.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT - (Continued)

A summary of changes in self-insurance claims for the current and proceeding years follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2010	\$ 799,100	\$ 5,887,650	\$ (6,055,035)	\$ 631,715
2009	703,033	7,108,049	(7,011,982)	799,100

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,147,647, \$782,067 and \$749,283, respectively; 52.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$3,871,851, \$3,804,849 and \$3,676,130, respectively; 83.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$51,721 made by the District and \$36,944 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes 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.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$176,144, \$486,343 and \$468,296, respectively; 52.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$68,248, \$64,527 and \$53,988, respectively; 52.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$297,835, \$292,681 and \$282,779, respectively; 83.86 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (3,181,842)
Net adjustment for revenue accruals	155,837
Net adjustment for expenditure accruals	(644,637)
Net adjustment for other sources/uses	2,174,219
Adjustment for encumbrances	<u>1,394,727</u>
GAAP basis	<u>\$ (101,696)</u>

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 general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2010.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2010, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2009	\$ (598,918)	\$ (38,000,000)	\$ 323,647
Current year set-aside requirement	917,959	917,959	-
Qualifying disbursements	<u>(955,514)</u>	<u>(2,464,298)</u>	<u>-</u>
Total	<u>\$ (636,473)</u>	<u>\$ (39,546,339)</u>	<u>\$ 323,647</u>
Balance carried forward to fiscal year 2011	<u>\$ (636,473)</u>	<u>\$ (38,000,000)</u>	<u>\$ 323,647</u>

The negative amounts in the textbooks/instructional materials and capital acquisition reserves are being carried forward to reduce the set-aside requirement for future years.

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute.

A schedule of the governmental fund restricted assets at June 30, 2010 follows:

Amount restricted for BWC refunds	<u>\$ 323,647</u>
Total restricted assets	<u>\$ 323,647</u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2010, the District had contractual purchase commitments for the following projects:

<u>Contractor</u>	<u>Purchase Commitments</u>	<u>Amount Paid as of 6/30/2010</u>	<u>Amount Remaining on Contracts</u>
<u>Historic Treasure:</u>			
Fanning Howey	\$ 211,040	\$ 178,981	\$ 32,059
<u>Demolitions and Abatements:</u>			
Environmental Assurance	1,974,975	1,054,390	920,585
EA Group Consultants	153,500	30,107	123,393
PSI	10,000	-	10,000
C. Tucker Cope & Associates	1,063,586	-	1,063,586

-- Continued

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - CONTRACTUAL COMMITMENTS - (Continued)

Contractor	Purchase Commitments	Amount Paid as of 6/30/2010	Amount Remaining on Contracts
<u>Jefferson K-8 School:</u>			
Albert Higley Construction Co.	\$ 7,787,120	\$ 6,799,325	\$ 987,795
Antenucci Inc.	2,086,309	1,985,327	100,982
Enertech Electrical	1,703,332	1,536,467	166,865
Western Reserve Mechanical	748,036	731,136	16,900
Johnson Lancaster	399,288	267,540	131,748
Mid West Telephone	158,296	109,872	48,424
North East Fire Protection	230,788	214,800	15,988
Fanning Howey	994,443	919,105	75,338
Continental Office Furniture	485,407	-	485,407
Zenith Systems LLC	287,023	-	287,023
Southern Cabinetry, Inc.	33,850	-	33,850
Osborne Engineering	33,715	7,900	25,815
Rooftec	26,150	19,350	6,800
Carbone Ozanne Hammond	1,274,758	426,760	847,998
<u>McGuffy K-8 School:</u>			
Albert Higley Construction Co.	7,494,623	6,557,673	936,950
Antenucci Inc.	2,086,188	2,000,812	85,376
Enertech Electrical	1,678,264	1,536,277	141,987
Western Reserve Mechanical	729,036	711,576	17,460
Johnson Lancaster	339,288	226,376	112,912
Mid West Telephone	158,296	110,949	47,347
North East Fire Protection	225,433	206,351	19,082
Fanning Howey	724,969	677,342	47,627
Continental Office Furniture	485,407	-	485,407
Zenith Systems LLC	287,024	-	287,024
Southern Cabinetry, Inc.	33,850	-	33,850
Osborn Engineering	33,259	7,799	25,460
Rooftec	26,150	23,575	2,575
Carbone Ozanne Hammond	1,230,670	414,175	816,495
<i>Totals</i>	<u>\$ 35,194,073</u>	<u>\$ 26,753,965</u>	<u>\$ 8,440,108</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$2,349,621, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end have been recorded as construction-in-progress in the District's capital assets (See Note 8).



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 31, 2011

To the Board of Education
Warren City School District
Warren, OH 44481

INDEPENDENT AUDITOR'S 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*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District (the District) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Warren City School District
Independent Auditor's 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
January 31, 2011
Page 2

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

January 31, 2011

To the Board of Education
Warren City School District
Warren, OH 44481

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Warren City School District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2010.

Warren City School District
Independent Auditor's Report on Compliance
With Requirements That Could Have a Direct and Material
Effect On Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133
Page 2

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-001 to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Non-Cash Receipts	Federal Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553	2010	\$ 512,410		\$ 512,410	
National School Lunch Program (B)	10.555	2010	1,640,745	\$ 102,556	1,640,745	\$ 102,556
Summer Food Service Program	10.559	2010	217,823		217,823	
Total Child Nutrition Cluster (A)			2,370,978	102,556	2,370,978	102,556
Team Nutrition	10.574	2010	4,000		3,366	
Fresh Fruit and Vegetables	10.582	2010	50,299		50,299	
Total U.S. Department of Agriculture			2,425,277	102,556	2,424,643	102,556
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education</i>						
Title I Cluster:						
Title I Grants to Local Education Agencies	84.010	2009	342,731		515,946	
	84.010	2010	2,385,113		2,432,037	
	84.013	2010	25,134		24,585	
Title I for Neglected and Delinquent Children	84.013	2010	18,592		19,962	
	84.013	2009	16,051		18,912	
ARRA - Title I Grants to Local Education Agencies	84.389	2010	981,364		482,197	
Total Title I Cluster			3,768,985		3,493,639	
Special Education Cluster:						
Special Education Grants to States	84.027	2009	0		226,407	
		2010	1,369,283		1,424,887	
ARRA-Special Education Grants to States	84.391	2010	892,667		820,051	
Total Special Education Cluster			2,261,950		2,471,345	
Safe and Drug-Free Schools - State Grants	84.186	2009	8,918		406	
		2010	38,015		29,067	
Total Safe and Drug-Free Schools			46,933		29,473	
Innovative Education Program Strategies	84.298	2009	1,872		3,169	
Technology Literacy Challenge Fund	84.318	2009	0		7,287	
Title II-D Technology		2010	26,948		22,771	
Total Title II-D			26,948		30,058	
Improving Teacher Quality State Grant	84.367	2010	550,289		580,776	
		2009	58,520		124,356	
Total Improving Teacher Quality			608,809		705,132	
ARRA-State Fiscal Stabilization Fund	84.394	2010	2,698,837		2,085,901	
Total U.S. Department of Education			9,414,334	0	8,818,717	0
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed through Trumbull County Department of Job and Family Services</i>						
Student Readiness Enrichment	93.558	2009	67,204		52,799	
Total U.S. Department of Health and Human Services			67,204	0	52,799	0
Total Federal Financial Assistance			\$ 11,906,815	\$ 102,556	\$ 11,296,159	\$ 102,556

See notes to the Schedule of Expenditures of Federal Awards

**Warren City School District
Trumbull County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2010*

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C - Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2010, the ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Program Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I Grants to Local Educational Agencies	2009	\$ 177	
84.010	Title I Grants to Local Educational Agencies	2010		\$ 177
84.318	Title II-D Technology Literacy Quality	2009	4,110	
84.318	Title II-D Technology Literacy Quality	2010		4,110
84.367	Title II-A Improving Teacher Quality	2009	23,862	
84.367	Title II-A Improving Teacher Quality	2010		23,862
84.186	Title IV-A Safe and Drug-Free Schools	2009	6,915	
84.186	Title IV-A Safe and Drug-Free Schools	2010		6,915
84.027	Title VI-B Special Education - Grants to States	2009	61,647	
84.027	Title VI-B Special Education - Grants to States	2010		61,647

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d) (1) (iv)	Were there any significant deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster Special Education Cluster Nutrition Cluster Improving Teacher Quality State Grant State Fiscal Stabilization Fund	CFDA # 84.010,84.013,84.389 84.027,84.391 10.553,10.555,10.559 84.367 84.394
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$341,961 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

NONE	
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**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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MATERIAL WEAKNESS

FINDING NUMBER	2010-001
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Program Information:

CFDA #84.389 Title I Grants to Local Educational Agencies, Recovery Act
U.S. Department of Education
Passed through Ohio Department of Education

Criteria:

OMB Circular A-133 Section .500 (c) states the auditor shall perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk for major programs.

OMB Circular A-87 establishes principles and standards for determining allowable direct and indirect costs for Federal awards. To be allowable under Federal awards, direct costs must meet the following criteria (A-87, Attachment A, paragraph E):

Direct Costs

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
 - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
 - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
 - c. Equipment and other approved capital expenditures.
 - d. Travel expenses incurred specifically to carry out the award.

Condition:

The District does not have adequate controls in place to ensure the allowability of payroll expenditures charged to this federal grant. This can lead to payroll expenditures that are not necessary for the program and are not in accordance with the grant.

Context:

During fiscal year 2010, the District charged salaries and benefits for Lead Principals for the K-8 buildings to this grant. The District was unable to provide us with adequate documentation supporting these employees' duties in relation to the grant objectives.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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MATERIAL WEAKNESS (Continued)

FINDING NUMBER	2010-001 (Continued)
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Effect:

The lack of adequate oversight in the internal controls lead to a potential error related to these individuals' salaries and benefits that were charged during the audit period. Subsequent to the end of the fiscal year, but within the grant period, the District reversed these expenditures. With assistance from the Ohio Department of Education (ODE), the District also amended their final expenditure report for the Title I, Recovery Act grant for fiscal year 2010.

Recommendation:

We recommend the District establish procedures to ensure the employees charged to the federal program comply with the guidelines for allowability. Prior to charging salaries and benefits to the federal program, each employee should be reviewed by the appropriate District administrative personnel. Each employee's job duties should support the grant objectives and adequate supporting documentation should be maintained. When questions arise regarding allowability, the District should consult with the Ohio Department of Education and obtain written approval for questionable expenditures.

Management's Response:

The District believes that adequate controls are in place to ensure the allowability of payroll expenditures charged to this federal grant. The District's Office of State and Federal Programs is staffed by an Executive Director with years of experience in the administration of federal programs. Members of his staff also have years of experience working with Title programs. The Executive Director attends yearly trainings and updates to keep up to date with changes in the federal programs and, when necessary, discusses relevant changes at the District's weekly Executive Cabinet meetings.

The instance referred to in the material weakness would have been considered allowable if the employees in question were not labeled principals but had job descriptions referring to them as "supervisors" or "coordinators". This job designation would have allowed the allocation of 100% of salary and benefits. Conversely, these expenditures would also have been allowable if the principals had been charged less than 100% of their salary and benefits to the grant while still maintaining their job description. To infer that the District does not have adequate controls in place when the change of a job title or the slight reduction in allocation would have made "unallowable" into "allowable" gives the appearance that the District has a lack of regard for internal controls when this is not the case.

As part of the District's involvement in the State Personnel Development Grant (SPDG) process, numerous discussions were held in Executive Cabinet regarding the lead K-8 principals' roles as instructional leaders in their buildings. Executive Cabinet is comprised of the Superintendent, Associate Superintendent, Director of Business Operations, Treasurer, Communications Coordinator, Community Outreach/Grant Coordinator and the Executive Directors of State and Federal Programs, Special Education, Human Resources, and Teaching and Learning. This is a group with years of experience in education and curriculum development that is also familiar with federal grants and their requirements.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
OMB CIRCULAR A-133, Section .505
JUNE 30, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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MATERIAL WEAKNESS (Continued)

FINDING NUMBER	2010-001 (Continued)
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The District was trying to “think outside the box” when the proposal to use our lead K-8 principals as instructional leaders was conceived. Therefore, the District believes that it is not a lack of adequate controls over federal expenditures but rather a lack of foresight on our part to review, in detail, the District’s plan with regard to the principals with the ODE District grant consultant.

The District will review the allowability of payroll expenditures with our ODE grant consultant when the employees being charged to the grant deviate from the routine job descriptions and duties that have been utilized with this grant in the past. Any new program or use of personnel will be reviewed in detail, not only with Executive Cabinet but also with the ODE grant consultant, in order to avoid pitfalls that occur with job titles and/or specific allocations of time.

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Dave Yost • Auditor of State

WARREN CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 29, 2011