



Dave Yost • Auditor of State

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren City School District
Trumbull County
105 High Street
Warren, Ohio 44481

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Warren City School District, Trumbull County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated beginning net assets of governmental activities due to a reappraisal of the District's capital assets during fiscal year 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

May 24, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$4,096,037 which represents a 2.88% decrease from 2011.
- General revenues accounted for \$57,083,152 in revenue or 75.40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$18,625,001 or 24.60% of total revenues of \$75,708,153.
- The District had \$79,804,190 in expenses related to governmental activities; \$18,625,001 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 \$57,083,152 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 \$60,191,621 in revenues and other financing sources, and \$60,179,830 in expenditures and other financing uses. During fiscal 2012, the general fund's fund balance increased \$11,791 from \$10,761,260 to \$10,773,051.
- The classroom facilities fund had \$504,533 in revenues and other financing sources and \$602,064 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance decreased \$97,531 from \$15,083,653 to \$14,986,122.

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, 2012
(UNAUDITED)

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 2012?" 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 15-16 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 16-22 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 24-26 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 27 and 28. 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 29-61 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 2012 and 2011. The District restated net assets for 2011 as described in Note 3.A. of the basic financial statements.

	Net Assets	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 66,140,595	\$ 70,849,473
Capital assets, net	<u>133,526,631</u>	<u>135,628,193</u>
Total assets	<u>199,667,226</u>	<u>206,477,666</u>
<u>Liabilities</u>		
Current liabilities	24,437,850	25,416,276
Long-term liabilities	<u>37,295,930</u>	<u>39,031,907</u>
Total liabilities	<u>61,733,780</u>	<u>64,448,183</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	107,719,371	108,908,562
Restricted	14,440,625	16,480,380
Unrestricted	<u>15,773,450</u>	<u>16,640,541</u>
Total net assets	<u>\$ 137,933,446</u>	<u>\$ 142,029,483</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$137,933,446. Of this total, \$15,773,446 is unrestricted in use.

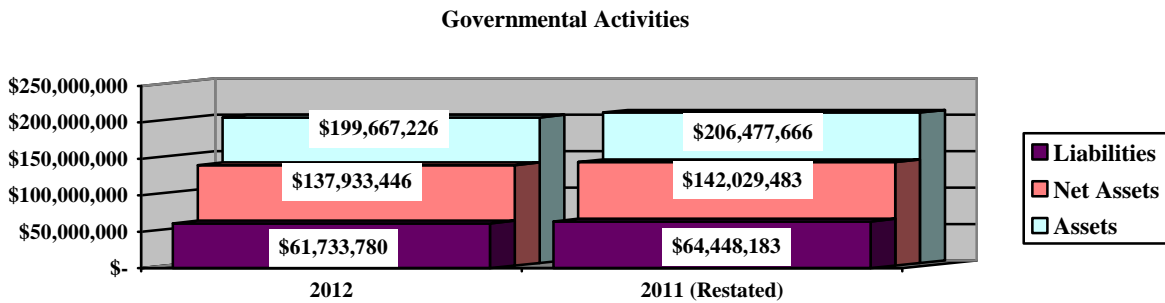
**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

At year-end, capital assets represented 66.87% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$107,719,371. 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, \$14,440,625, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$15,773,450 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, 2012 and 2011.



The table below shows the change in net assets for fiscal years 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 2,473,741	\$ 2,236,731
Operating grants and contributions	16,151,260	21,465,386
General revenues:		
Property taxes	14,069,280	13,771,173
Grants and entitlements	42,114,408	40,246,537
Investment earnings	604,644	329,993
Miscellaneous	294,820	79,768
Total revenues	<u>75,708,153</u>	<u>78,129,588</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Change in Net Assets (Continued)	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 28,318,041	\$ 29,996,880
Special	10,769,968	10,516,504
Vocational	202,724	222,464
Other	2,830,361	2,686,262
Support services:		
Pupil	4,030,293	3,682,408
Instructional staff	6,962,299	5,765,671
Board of education	52,384	41,408
Administration	5,792,625	5,965,893
Fiscal	1,174,414	1,131,559
Business	838,559	725,600
Operations and maintenance	7,983,184	9,386,757
Pupil transportation	3,071,923	2,828,247
Central	1,345,651	1,327,971
Operations of non-instructional services:		
Food service operations	3,354,319	3,179,950
Other non-instructional services	393,772	230,916
Extracurricular activities	1,169,627	1,167,297
Interest and fiscal charges	<u>1,514,046</u>	<u>1,656,058</u>
Total expenses	<u>79,804,190</u>	<u>80,511,845</u>
Change in net assets	(4,096,037)	(2,382,257)
Net assets at beginning of year (restated)	<u>142,029,483</u>	<u>144,411,740</u>
Net assets at end of year	<u><u>\$ 137,933,446</u></u>	<u><u>\$ 142,029,483</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased \$4,096,037. Total governmental expenses of \$79,804,190 were offset by program revenues of \$18,625,001 and general revenues of \$57,083,152. Program revenues supported 23.34% 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 74.21% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

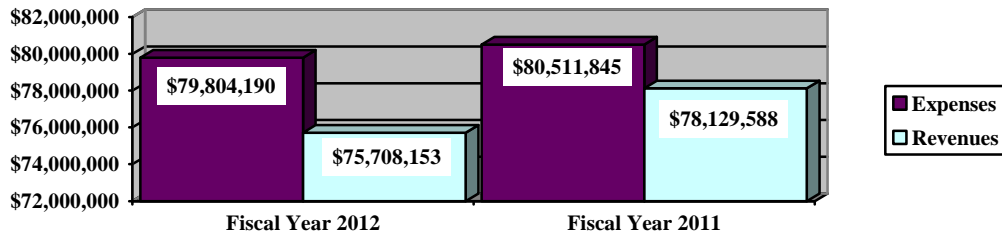
Operating grants and contributions decreased by approximately \$5.3 million over the prior fiscal year. This is primarily due to the elimination of the American Recovery and Reinvestment Act (ARRA) grants and decreased federal grants from the Education Jobs program. Unrestricted grants and entitlements increased by approximately \$1.7 million over the prior fiscal year due to increased intergovernmental aid from the State of Ohio's School Foundation program.

Expenses remained consistent with the prior fiscal year. The overall decrease in expenses was 0.88%.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$42,121,094 or 52.78% of total governmental expenses for fiscal 2012.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 28,318,041	\$ 27,434,538	\$ 29,996,880	\$ 24,293,331
Special	10,769,868	2,124,809	10,516,504	1,920,983
Vocational	202,724	(11,390)	222,464	8,350
Other	2,830,361	2,796,395	2,686,262	2,661,324
Support services:				
Pupil	4,030,293	3,953,782	3,682,408	3,090,739
Instructional staff	6,962,299	3,375,846	5,765,671	2,265,692
Board of education	52,384	52,384	41,408	41,408
Administration	5,792,625	5,587,581	5,965,893	5,641,388
Fiscal	1,174,414	852,683	1,131,559	860,428
Business	838,559	838,559	725,600	725,600
Operations and maintenance	7,983,184	7,957,767	9,386,757	9,236,891
Pupil transportation	3,071,923	2,568,482	2,828,247	2,221,436
Central	1,345,651	1,345,651	1,327,971	1,327,971
Operations of non-instructional services:				
Food service operations	3,354,319	(77,420)	3,179,950	(74,617)
Other non-instructional services	393,772	42,966	230,916	(42,328)
Extracurricular activities	1,169,627	822,510	1,167,297	975,074
Interest and fiscal charges	<u>1,514,046</u>	<u>1,514,046</u>	<u>1,656,058</u>	<u>1,656,058</u>
Total expenses	<u>\$ 79,804,090</u>	<u>\$ 61,179,189</u>	<u>\$ 80,511,845</u>	<u>\$ 56,809,728</u>

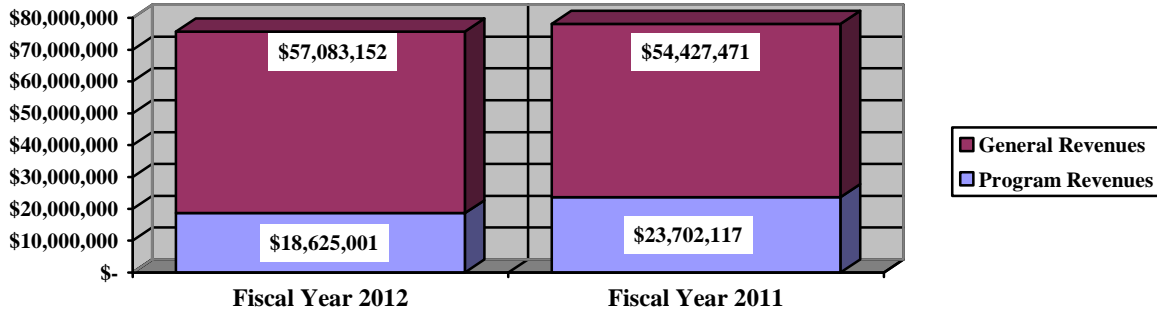
The dependence upon tax and other general revenues for governmental activities is apparent, 76.79% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.66%. The District's taxpayers and unrestricted grants and 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, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$31,721,182, which is less than last year's total of \$32,831,538. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
Major funds:				
General	\$ 10,773,051	\$ 10,761,260	\$ 11,791	0.11 %
Classroom facilities	14,986,122	15,083,653	(97,531)	(0.65) %
Other governmental	<u>5,962,009</u>	<u>6,986,625</u>	<u>(1,024,616)</u>	(14.67) %
Total	<u>\$ 31,721,182</u>	<u>\$ 32,831,538</u>	<u>\$ (1,110,356)</u>	(3.38) %

General Fund

The District's general fund balance increased slightly, as revenues increased and expenditures decreased compared to the prior fiscal year. The most significant change in revenues was intergovernmental revenue, which increased approximately \$1.8 million due to additional School Foundation funding from the State. The increase in earnings on investments revenues is primarily due to changes in the fair value of the District's general fund investments. The assessed tax valuation of property within the District continues to decline, which is the primary cause of the decreased tax revenue.

Instructional expenditures decreased 3.66% over the prior fiscal year. This is due to a decrease in wages and benefits, particularly for the District's certified staff. Support services expenditures increased 1.80%. This is primarily due to the increased cost of pupil and instructional staff support services.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 11,567,939	\$ 11,794,811	\$ (226,872)	(1.92) %
Tuition	1,208,166	1,169,537	38,629	3.30 %
Earnings on investments	321,034	162,653	158,381	97.37 %
Intergovernmental	46,586,154	44,756,750	1,829,404	4.09 %
Other revenues	<u>479,687</u>	<u>555,592</u>	<u>(75,905)</u>	(13.66) %
 Total	 <u>\$ 60,162,980</u>	 <u>\$ 58,439,343</u>	 <u>\$ 1,723,637</u>	 2.95 %
<u>Expenditures</u>				
Instruction	\$ 34,772,808	\$ 36,094,844	\$ (1,322,036)	(3.66) %
Support services	24,550,668	24,115,917	434,751	1.80 %
Non-instructional services	2,220	2,194	26	1.19 %
Extracurricular activities	815,908	854,319	(38,411)	(4.50) %
Facilities acquisition and construction	<u>13,326</u>	<u>62,487</u>	<u>(49,161)</u>	(78.67) %
 Total	 <u>\$ 60,154,930</u>	 <u>\$ 61,129,761</u>	 <u>\$ (974,831)</u>	 (1.59) %

Classroom Facilities Fund

The classroom facilities fund had \$504,533 in revenues and other financing sources and \$602,064 in expenditures. During fiscal 2012, the classroom facilities fund's fund balance decreased \$97,531 from \$15,083,653 to \$14,986,122.

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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and financing sources were \$64,802,845 and final budgeted revenues and other financing sources were \$59,818,450. The majority of the decrease in estimated revenues was due to an overestimation of state intergovernmental revenue. Actual revenues and other financing sources for fiscal 2012 were \$60,006,262. This represents a \$187,812 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$64,189,053 were decreased to \$63,349,011 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$62,399,971, which was \$949,040 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, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$133,526,631 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The District restated fiscal year 2011 capital assets as described in Note 3.A. of the basic financial statements. The following table shows fiscal 2012 balances compared to 2011:

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

	Governmental Activities	
	2012	Restated 2011
Land	\$ 8,350,888	\$ 8,350,888
Construction in progress	244,500	-
Land improvements	964,515	997,051
Building and improvements	122,424,196	124,863,664
Furniture and equipment	1,238,663	1,070,559
Vehicles	303,869	346,031
Total	\$ 133,526,631	\$ 135,628,193

The overall decrease in capital assets of \$2,101,562 is due to depreciation expense of \$2,874,906 exceeding capital outlays of \$773,344 during the fiscal year.

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

Debt Administration

At June 30, 2012, the District had \$32,970,000 in general obligation bonds, \$656,250 in tax anticipation notes and a \$161,293 lease purchase agreement outstanding. Of this total, \$1,296,505 is due within one year and \$32,491,038 is due in greater than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2012	2011
General obligation bonds	\$ 32,970,000	\$ 33,770,000
Tax anticipation notes	656,250	743,750
Lease purchase agreement	161,293	-
Total	\$ 33,787,543	\$ 34,513,750

At June 30, 2012, the District had a voted debt margin of \$(2,031,974) and an unvoted debt margin of \$329,849.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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 2013. 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 2014. 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 2015. 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 currently operating in the new buildings provided for in the recently completed Ohio School Facilities Commission (OSFC) Project. 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.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	\$ 28,924,290
Investments	16,002,347
Receivables:	
Taxes	17,975,885
Accounts	66,606
Intergovernmental	2,555,291
Accrued interest	74,449
Materials and supplies inventory	189,607
Unamortized bond issuance costs	352,120
Capital assets:	
Land and construction in progress	8,595,388
Depreciable capital assets, net	124,931,243
Capital assets, net	<u>133,526,631</u>
 Total assets	 <u>199,667,226</u>
Liabilities:	
Accounts payable	891,657
Accrued wages and benefits	5,049,870
Pension obligation payable	1,271,227
Intergovernmental payable	3,366,848
Accrued interest payable	15,197
Claims payable	751,564
Unearned revenue	13,091,487
Long-term liabilities:	
Due within one year	2,094,253
Due in more than one year	35,201,677
 Total liabilities	 <u>61,733,780</u>
Net assets:	
Invested in capital assets, net of related debt	107,719,371
Restricted for:	
Capital projects	7,863,123
Classroom facilities maintenance	2,623,563
Debt service	1,863,632
State funded programs	150,653
Federally funded programs	308,969
Food service operations	1,533,490
Student activities	58,079
Other purposes	39,116
Unrestricted	<u>15,773,450</u>
 Total net assets	 <u>\$ 137,933,446</u>

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, 2012

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 28,318,041	\$ 744,643	\$ 138,860	\$ (27,434,538)
Special	10,769,968	463,523	8,181,636	(2,124,809)
Vocational	202,724	-	214,114	11,390
Other	2,830,361	33,966	-	(2,796,395)
Support services:				
Pupil	4,030,293	-	76,511	(3,953,782)
Instructional staff	6,962,299	-	3,586,453	(3,375,846)
Board of education	52,384	-	-	(52,384)
Administration	5,792,625	-	205,044	(5,587,581)
Fiscal	1,174,414	201,686	120,045	(852,683)
Business	838,559	-	-	(838,559)
Operations and maintenance	7,983,184	25,417	-	(7,957,767)
Pupil transportation	3,071,923	44,939	458,502	(2,568,482)
Central	1,345,651	-	-	(1,345,651)
Operation of non-instructional services:				
Food service operations	3,354,319	610,772	2,820,967	77,420
Other non-instructional services	393,772	1,678	349,128	(42,966)
Extracurricular activities	1,169,627	347,117	-	(822,510)
Interest and fiscal charges	1,514,046	-	-	(1,514,046)
Total governmental activities	<u>\$ 79,804,190</u>	<u>\$ 2,473,741</u>	<u>\$ 16,151,260</u>	<u>(61,179,189)</u>

General revenues:

Property taxes levied for:

General purposes	11,963,264
Classroom facilities maintenance	131,951
Debt service	1,842,443
Capital outlay	131,622
Grants and entitlements not restricted to specific programs	42,114,408
Investment earnings	604,644
Miscellaneous	294,820

Total general revenues 57,083,152

Change in net assets (4,096,037)

Net assets at beginning of year (restated) 142,029,483

Net assets at end of year \$ 137,933,446

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 17,146,676	\$ 1,465,593	\$ 5,918,596	\$ 24,530,865
Investments	-	16,002,347	-	16,002,347
Receivables:				
Taxes	15,258,686	-	2,717,199	17,975,885
Accounts	3,159	50,000	13,447	66,606
Intergovernmental	244,369	-	2,310,922	2,555,291
Accrued interest	46,302	28,147	-	74,449
Due from other funds	470,130	-	434	470,564
Materials and supplies inventory	-	-	189,607	189,607
Total assets	<u>\$ 33,169,322</u>	<u>\$ 17,546,087</u>	<u>\$ 11,150,205</u>	<u>\$ 61,865,614</u>
Liabilities:				
Accounts payable	\$ 745,377	\$ 146	\$ 146,134	\$ 891,657
Accrued wages and benefits	4,292,320	-	757,550	5,049,870
Compensated absences payable	472,745	-	3,178	475,923
Pension obligation payable	1,122,429	-	148,798	1,271,227
Intergovernmental payable	394,985	2,542,956	428,907	3,366,848
Due to other funds	434	-	470,130	470,564
Deferred revenue	4,255,378	16,863	1,254,615	5,526,856
Unearned revenue	11,112,603	-	1,978,884	13,091,487
Total liabilities	<u>22,396,271</u>	<u>2,559,965</u>	<u>5,188,196</u>	<u>30,144,432</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	189,607	189,607
Restricted:				
Debt service	-	-	1,251,621	1,251,621
Capital improvements	-	14,986,122	382,141	15,368,263
Classroom facilities maintenance	-	-	2,608,430	2,608,430
Food service operations	-	-	1,392,584	1,392,584
Non-public schools	-	-	14,206	14,206
Targeted academic assistance	-	-	138,041	138,041
Extracurricular	-	-	58,079	58,079
Other purposes	-	-	167,663	167,663
Committed				
Student and staff support	33,812	-	-	33,812
Other purposes	11,000	-	-	11,000
Assigned				
Student instruction	41,031	-	-	41,031
Student and staff support	1,069,777	-	-	1,069,777
Subsequent year's appropriations	4,897,108	-	-	4,897,108
BWC payments	672,052	-	-	672,052
Other purposes	190,321	-	-	190,321
Unassigned (deficit)	<u>3,857,950</u>	<u>-</u>	<u>(240,363)</u>	<u>3,617,587</u>
Total fund balances	<u>10,773,051</u>	<u>14,986,122</u>	<u>5,962,009</u>	<u>31,721,182</u>
Total liabilities and fund balances	<u>\$ 33,169,322</u>	<u>\$ 17,546,087</u>	<u>\$ 11,150,205</u>	<u>\$ 61,865,614</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, 2012

Total governmental fund balances		\$	31,721,182
<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.			133,526,631
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	4,749,429	
Intergovernmental receivable		737,720	
Accrued interest receivable		39,707	
Total		5,526,856	5,526,856
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 on the statement of net assets.			3,641,861
Unamortized premium on bond issuance is not recognized in the funds.			(2,518,119)
Unamortized bond issuance costs are not recognized in the funds.			352,120
Unamortized amounts on refundings are not recognized in the funds.			2,580,635
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(15,197)
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		32,970,000	
Tax anticipation note		656,250	
Lease purchase agreement		161,293	
Compensated absences		3,094,980	
Total		(36,882,523)	(36,882,523)
Net assets of governmental activities		\$	137,933,446

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, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 11,567,939	\$ -	\$ 2,000,385	\$ 13,568,324
Tuition	1,208,166	-	-	1,208,166
Transportation fees	44,939	-	-	44,939
Earnings on investments	321,034	294,598	4,122	619,754
Charges for services	-	-	609,615	609,615
Extracurricular	-	-	212,944	212,944
Classroom materials and fees	33,966	-	-	33,966
Other local revenues	400,782	-	111,618	512,400
Intergovernmental - state	46,216,399	9,935	1,607,881	47,834,215
Intergovernmental - federal	369,755	-	11,631,453	12,001,208
Total revenues	<u>60,162,980</u>	<u>304,533</u>	<u>16,178,018</u>	<u>76,645,531</u>
Expenditures:				
Current:				
Instruction:				
Regular	24,923,848	-	1,900,350	26,824,198
Special	6,818,264	-	3,220,993	10,039,257
Vocational	206,416	-	-	206,416
Other	2,824,280	-	-	2,824,280
Support services:				
Pupil	3,686,126	-	79,947	3,766,073
Instructional staff	2,723,114	-	3,836,196	6,559,310
Board of education	52,384	-	-	52,384
Administration	5,243,580	-	214,653	5,458,233
Fiscal	948,153	-	180,474	1,128,627
Business	815,127	-	-	815,127
Operations and maintenance	7,241,814	-	326,774	7,568,588
Pupil transportation	2,582,068	-	339,842	2,921,910
Central	1,258,302	-	773	1,259,075
Operation of non-instructional services:				
Food service operations	-	-	3,161,201	3,161,201
Other non-instructional services	2,220	-	386,311	388,531
Extracurricular activities	815,908	-	277,363	1,093,271
Facilities acquisition and construction	13,326	602,064	163,683	779,073
Debt service:				
Principal retirement	-	-	904,128	904,128
Interest and fiscal charges	-	-	1,649,911	1,649,911
Bond issuance costs	-	-	329,521	329,521
Total expenditures	<u>60,154,930</u>	<u>602,064</u>	<u>16,972,120</u>	<u>77,729,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,050</u>	<u>(297,531)</u>	<u>(794,102)</u>	<u>(1,083,583)</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Premium on refunding bonds	\$ -	\$ -	\$ 2,474,624	\$ 2,474,624
Sale of refunding bonds.	-	-	30,905,000	30,905,000
Sale of capital assets	28,641	-	5,000	33,641
Lease purchase agreement.	-	-	177,921	177,921
Transfers in.	-	-	24,900	24,900
Transfers (out)	(24,900)	-	-	(24,900)
Compensation for loss of assets	-	200,000	-	200,000
Payment to refunded bond escrow agent.	-	-	(33,798,365)	(33,798,365)
Total other financing sources (uses)	<u>3,741</u>	<u>200,000</u>	<u>(210,920)</u>	<u>(7,179)</u>
Net change in fund balances	11,791	(97,531)	(1,005,022)	(1,090,762)
Fund balances at beginning of year.	10,761,260	15,083,653	6,986,625	32,831,538
Decrease in reserve for inventory	-	-	(19,594)	(19,594)
Fund balances at end of year.	<u>\$ 10,773,051</u>	<u>\$ 14,986,122</u>	<u>\$ 5,962,009</u>	<u>\$ 31,721,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**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, 2012

Net change in fund balances - total governmental funds \$ (1,090,762)

*Amounts reported for governmental activities in the
statement of activities are different because:*

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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	773,344	
Current year depreciation		(2,874,906)	
Total		(2,101,562)	(2,101,562)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

(19,594)

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

Taxes		500,956	
Interest revenue		(11,066)	
Intergovernmental revenue		(1,660,909)	
Total		(1,171,019)	(1,171,019)

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.

904,128

The sale of refunding bonds and lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.

Sale of refunding bonds		(30,905,000)	
Lease purchase agreement		(177,921)	
Total		(31,082,921)	(31,082,921)

Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.

33,798,365

Premiums on refunding bonds and bond issuance costs related to the issuance of refunding bonds are amortized over the life of the issuance in the statement of activities. The following transactions occurred in the year:

Premium on refunding bonds		(2,474,624)	
Bond issuance costs		329,521	
Total		(2,145,103)	(2,145,103)

(Continued)

**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 (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:

Decrease in accrued interest payable	\$	118,683	
Amortization of bond issuance costs		(18,584)	
Amortization of bond premiums		35,766	
Total		\$	135,865

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. 235,850

The internal service funds used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities. (1,559,284)

Change in net assets of governmental activities \$ (4,096,037)

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 12,615,425	\$ 11,645,093	\$ 11,566,560	\$ (78,533)
Tuition.	1,249,805	1,153,675	1,208,546	54,871
Transportation fees.	97,499	90,000	62,839	(27,161)
Earnings on investments	205,832	190,000	208,337	18,337
Other local revenues	203,845	188,166	233,936	45,770
Intergovernmental - state	49,951,765	46,109,661	46,216,398	106,737
Intergovernmental - federal	340,549	314,355	326,405	12,050
Total revenues	<u>64,664,720</u>	<u>59,690,950</u>	<u>59,823,021</u>	<u>132,071</u>
Expenditures:				
Current:				
Instruction:				
Regular	26,117,293	25,775,496	25,675,983	99,513
Special.	7,141,411	7,047,951	7,032,432	15,519
Vocational.	234,035	230,972	225,691	5,281
Other.	2,891,990	2,854,143	2,840,383	13,760
Support services:				
Pupil.	3,736,381	3,687,483	3,649,100	38,383
Instructional staff	2,678,050	2,643,003	2,617,785	25,218
Board of education	63,040	62,215	54,339	7,876
Administration.	5,525,370	5,453,060	5,370,988	82,072
Fiscal	914,454	902,487	912,908	(10,421)
Business	993,745	980,740	856,028	124,712
Operations and maintenance.	8,568,104	8,455,973	8,203,640	252,333
Pupil transportation	2,762,353	2,726,202	2,662,323	63,879
Central.	1,538,699	1,518,562	1,353,642	164,920
Extracurricular activities.	809,488	798,894	766,201	32,693
Facilities acquisition and construction	54,605	53,890	53,739	151
Total expenditures	<u>64,029,018</u>	<u>63,191,071</u>	<u>62,275,182</u>	<u>915,889</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>635,702</u>	<u>(3,500,121)</u>	<u>(2,452,161)</u>	<u>1,047,960</u>
Other financing sources (uses):				
Refund of prior year's expenditures	97,499	90,000	154,099	64,099
Refund of prior year's (receipts)	(13,112)	(12,940)	(12,939)	1
Transfers in	8,126	7,500	-	(7,500)
Transfers (out).	(146,923)	(145,000)	(111,850)	33,150
Sale of capital assets	32,500	30,000	29,142	(858)
Total other financing sources (uses)	<u>(21,910)</u>	<u>(30,440)</u>	<u>58,452</u>	<u>88,892</u>
Net change in fund balance	613,792	(3,530,561)	(2,393,709)	1,136,852
Fund balance at beginning of year.	15,619,928	15,619,928	15,619,928	-
Prior year encumbrances appropriated	1,480,629	1,480,629	1,480,629	-
Fund balance at end of year	<u>\$ 17,714,349</u>	<u>\$ 13,569,996</u>	<u>\$ 14,706,848</u>	<u>\$ 1,136,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Governmental Activities - Internal Service Funds
Assets:	
Current assets:	
Equity in pooled cash and investments	\$ 4,393,425
Total assets	<u>4,393,425</u>
Liabilities:	
Current liabilities:	
Claims payable	<u>751,564</u>
Total liabilities	<u>751,564</u>
Net assets:	
Unrestricted	<u>3,641,861</u>
Total net assets	<u>\$ 3,641,861</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services.	\$ 5,121,942
Total operating revenues	<u>5,121,942</u>
Operating expenses:	
Personal services.	3,784
Purchased services.	8,630
Materials and supplies	1,099
Claims	<u>6,667,713</u>
Total operating expenses.	<u>6,681,226</u>
Operating loss	<u>(1,559,284)</u>
Change in net assets	(1,559,284)
Net assets at beginning of year	<u>5,201,145</u>
Net assets at end of year.	<u>\$ 3,641,861</u>

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, 2012

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 5,121,942
Cash payments for personal services.	(3,784)
Cash payments for purchased services.	(8,630)
Cash payments for materials and supplies	(1,099)
Cash payments for claims	<u>(6,358,565)</u>
Net cash used in operating activities	<u>(1,250,136)</u>
Net decrease in cash and investments	(1,250,136)
Cash and investments at beginning of year.	<u>5,643,561</u>
Cash and investments at end of year	<u><u>\$ 4,393,425</u></u>
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (1,559,284)
Changes in assets and liabilities:	
Increase in claims payable.	<u>309,148</u>
Net cash used in operating activities.	<u><u>\$ (1,250,136)</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, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 29,290	\$ 27,185
Total assets.	29,290	\$ 27,185
Liabilities:		
Accounts payable.	-	\$ 104
Due to students.	-	27,081
Total liabilities	-	\$ 27,185
Net assets:		
Held in trust for scholarships	29,290	
Total net assets	\$ 29,290	

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, 2012

	Private Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 120
Change in net assets.	120
Net assets at beginning of year	29,170
Net assets at end of year	\$ 29,290

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, 2012

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 employs 349 non-certified and 497 certified employees to provide services to approximately 5,568 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, 2012

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 2012. 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, 2012

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

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

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, 2012

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, 2012

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, administrative, and claim 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, 2012

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, 2012, but which were levied to finance fiscal year 2013 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, 2012, 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 2012 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 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 fund 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 investments" on the basic financial statements.

During fiscal year 2012, investments were limited to federal agency securities, U.S. government money market mutual funds, negotiable CDs, a repurchase agreement, municipal bonds 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 2012. 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, 2012.

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 2012 amounted to \$321,034, which includes \$142,405 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, 2012

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 reported as “equity in pooled cash and investments.” Investments with an original maturity of more than three months that are not made from the pool 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.

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.

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>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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". 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, 2012, 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 ten years 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, 2012 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, 2012

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

L. Fund Balance

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

M. 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.

N. 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 for a special trust.

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

O. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.A.

P. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2012, the District had no extraordinary or special items.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

The District has restated beginning net assets of the governmental activities in order to account for a reappraisal of the District's capital assets during fiscal year 2012. See Note 8 for detail. The adjustment had the following effect on net assets of the governmental activities at June 30, 2011:

	Governmental Activities
Net assets at June 30, 2011	\$ 146,464,225
Adjustment for capital assets	(4,434,742)
Restated net assets at July 1, 2011	\$ 142,029,483

B. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 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, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 16,251
Alternative education	15,425
Race to the top	45
Title VI-B	186,805
Miscellaneous federal grants	21,837

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 balances 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, 2012

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 \$4,920 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$6,403,078, exclusive of the repurchase agreement reported below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$4,051,708 of the District's bank balance of \$6,801,828 was exposed to custodial risk as discussed below, while \$2,750,120 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

C. Investments

As of June 30, 2012, the District had the following investments and maturities:

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLB	\$ 3,873,049	\$ -	\$ -	\$ -	\$ -	\$ 3,873,049
FHLMC	1,514,500	-	-	-	-	1,514,500
FNMA	7,835,104	-	-	-	-	7,835,104
Municipal bonds	938,240	-	-	-	-	938,240
Negotiable CDs	20,833,208	1,502,915	1,005,910	-	250,740	18,073,643
Repurchase agreement	1,343,320	1,343,320	-	-	-	-
U.S. Government money market mutual funds	2,064,515	2,064,515	-	-	-	-
STAR Ohio	173,178	173,178	-	-	-	-
	<u>\$ 38,575,114</u>	<u>\$ 5,083,928</u>	<u>\$ 1,005,910</u>	<u>\$ -</u>	<u>\$ 250,740</u>	<u>\$ 32,234,536</u>

The weighted average maturity of investments is 3.38 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 rating service. The District's investments in federal agency securities and negotiable CDs were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investments in municipal bonds were rated AA and Aa2 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, 2012

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 and municipal bonds 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. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreement must exceed the principal value of securities subject to a repurchase agreement by 2%. The District's investments in negotiable CDs are insured by the FDIC. 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, 2012:

<u>Investment type</u>	<u>Fair value</u>	<u>% of Total</u>
FHLB	\$ 3,873,049	10.04
FHLMC	1,514,500	3.93
FNMA	7,835,104	20.31
Municipal bonds	938,240	2.43
Negotiable CDs	20,833,208	54.01
Repurchase agreement	1,343,320	3.48
U.S. Government money market mutual funds	2,064,515	5.35
STAR Ohio	173,178	0.45
	<u>\$ 38,575,114</u>	<u>100.00</u>

D. 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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,403,078
Investments	38,575,114
Cash on hand	4,920
Total	<u>\$ 44,983,112</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 44,926,637
Private-purpose trust fund	29,290
Agency fund	27,185
Total	<u>\$ 44,983,112</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consisted of the following due to/from other funds at June 30, 2012, as reported on the fund statements:

	<u>Amount</u>
<u>Due to the general fund from:</u>	
Nonmajor governmental funds	\$ 470,130
<u>Due to nonmajor governmental funds from:</u>	
General fund	434
Total	\$ 470,564

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in the Stimulus Title II-D fund and Title I fund, both nonmajor governmental funds. These negative cash balances are 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/from the general fund to/from nonmajor governmental funds for services provided on account.

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

- B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 24,900

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.

All transfers made in fiscal year 2012 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$114,568 in the general fund, \$17,727 in the debt service fund, a nonmajor governmental fund, \$1,337 in the permanent improvement fund, a nonmajor governmental fund, and \$1,337 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$113,189 in the general fund, \$16,184 in the debt service fund, a nonmajor governmental fund, \$1,443 in the permanent improvement fund, a nonmajor governmental fund, and \$1,432 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 350,414,590	95.22	\$ 311,597,130	94.47
Public utility personal	<u>17,560,410</u>	<u>4.78</u>	<u>18,251,810</u>	<u>5.53</u>
Total	<u>\$ 367,975,000</u>	<u>100.00</u>	<u>\$ 329,848,940</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 59.50		\$ 62.30	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 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	\$ 17,975,885
Accounts	66,606
Intergovernmental	2,555,291
Accrued interest	<u>74,449</u>
Total	<u>\$ 20,672,231</u>

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

NOTE 8 - CAPITAL ASSETS

The District conducted a reappraisal of their capital assets during fiscal year 2012 and restated capital asset balances in order to reflect the appraised values. The restatement decreased net capital assets by \$4,434,742 as detailed on the following table:

	<u>Balance 6/30/11</u>	<u>Adjustments</u>	<u>Restated Balance 6/30/11</u>
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 8,350,888	\$ -	\$ 8,350,888
Total capital assets, not being depreciated	<u>8,350,888</u>	<u>-</u>	<u>8,350,888</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	-	1,119,179	1,119,179
Buildings and improvements	137,359,223	(5,910,780)	131,448,443
Furniture and equipment	1,204,541	591,173	1,795,714
Vehicles	<u>2,494,764</u>	<u>(42,315)</u>	<u>2,452,449</u>
Total capital assets, being depreciated	<u>141,058,528</u>	<u>(4,242,743)</u>	<u>136,815,785</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	-	(122,128)	(122,128)
Buildings and improvements	(6,517,063)	(67,716)	(6,584,779)
Furniture and equipment	(791,035)	65,880	(725,155)
Vehicles	<u>(2,038,383)</u>	<u>(68,035)</u>	<u>(2,106,418)</u>
Total accumulated depreciation	<u>(9,346,481)</u>	<u>(191,999)</u>	<u>(9,538,480)</u>
Governmental activities capital assets, net	<u>\$ 140,062,935</u>	<u>\$ (4,434,742)</u>	<u>\$ 135,628,193</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Restated Balance <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 8,350,888	\$ -	\$ -	\$ 8,350,888
Construction in progress	<u>-</u>	<u>244,500</u>	<u>-</u>	<u>244,500</u>
Total capital assets, not being depreciated	<u>8,350,888</u>	<u>244,500</u>	<u>-</u>	<u>8,595,388</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,119,179	6,685	-	1,125,864
Buildings and improvements	131,448,443	195,720	-	131,644,163
Furniture and equipment	1,795,714	290,605	-	2,086,319
Vehicles	<u>2,452,449</u>	<u>35,834</u>	<u>(387,219)</u>	<u>2,101,064</u>
Total capital assets, being depreciated	<u>136,815,785</u>	<u>528,844</u>	<u>(387,219)</u>	<u>136,957,410</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(122,128)	(39,221)	-	(161,349)
Buildings and improvements	(6,584,779)	(2,635,188)	-	(9,219,967)
Furniture and equipment	(725,155)	(122,501)	-	(847,656)
Vehicles	<u>(2,106,418)</u>	<u>(77,996)</u>	<u>387,219</u>	<u>(1,797,195)</u>
Total accumulated depreciation	<u>(9,538,480)</u>	<u>(2,874,906)</u>	<u>387,219</u>	<u>(12,026,167)</u>
Governmental activities capital assets, net	<u>\$ 135,628,193</u>	<u>\$ (2,101,562)</u>	<u>\$ -</u>	<u>\$ 133,526,631</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,076,355
Special	474,062
Vocational	13,450
Other	6,081

Support services:

Pupil	186,339
Instructional staff	187,452
Administration	262,572
Fiscal	25,219
Business	14,920
Operations and maintenance	268,923
Pupil transportation	121,200
Central	45,066
Food service operations	111,359
Extracurricular activities	<u>81,908</u>
Total depreciation expense	<u>\$ 2,874,906</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

On August 25, 2011, the District entered into a lease-purchase agreement with Huntington National Bank for the lease and eventual acquisition of improvements to the District's high school stadium and related appurtenances. This lease meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments will be reclassified and shown as debt service expenditures in the permanent improvement fund, a nonmajor governmental fund.

The general capital assets acquired by this capital lease have been capitalized in the governmental activities on the statement of net assets in the amount of \$166,540. Accumulated depreciation as of June 30, 2012 was \$2,127, leaving a current book value of \$164,413. A corresponding liability has been recorded in the governmental activities on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 38,575
2014	38,575
2015	38,575
2016	38,575
2017	<u>19,288</u>
Total minimum lease payments	173,588
Less: amount representing interest	<u>(12,295)</u>
Total	<u>\$ 161,293</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/12</u>	<u>Amounts Due in One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2004 general obligation bonds	\$ 33,770,000	\$ -	\$ (31,705,000)	\$ 2,065,000	\$ 995,000
2012 advance refunding bonds					
Current interest bonds	-	30,610,000	-	30,610,000	180,000
Capital appreciation bonds	-	<u>295,000</u>	-	<u>295,000</u>	-
Total general obligation bonds	<u>33,770,000</u>	<u>30,905,000</u>	<u>(31,705,000)</u>	<u>32,970,000</u>	<u>1,175,000</u>
<u>Other long-term obligations:</u>					
Tax anticipation note	743,750	-	(87,500)	656,250	87,500
Lease purchase agreement	-	177,921	(16,628)	161,293	34,005
Compensated absences	<u>3,787,940</u>	<u>781,645</u>	<u>(998,682)</u>	<u>3,570,903</u>	<u>797,748</u>
Total governmental activities long-term liabilities	<u>\$ 38,301,690</u>	<u>\$ 31,864,566</u>	<u>\$ (32,807,810)</u>	37,358,446	<u>\$ 2,094,253</u>
				Add: unamortized premium on bond issue	2,518,119
				Less: deferred amount on refunding	<u>(2,580,635)</u>
				Total on statement of net assets	<u>\$ 37,295,930</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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.

Lease purchase agreement: See Note 9 for more detail on the District's lease purchase agreement.

- 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, 2012 there was \$7,565,647 in unspent proceeds remaining on this bond issue.

On June 28, 2012, the District issued \$30,905,000 (series 2012 advance refunding general obligation bonds) to advance refund the callable portion of the bonds. The refunded portions of the series 2004 bonds included portions of the serial bonds and the entire amount of the term bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

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, 2013.

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
2013	\$ 995,000	\$ 58,246	\$ 1,053,246
2014	1,070,000	19,795	1,089,795
Total	<u>\$ 2,065,000</u>	<u>\$ 78,041</u>	<u>\$ 2,143,041</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. On June 28, 2012, the District issued general obligation bonds (series 2012 advance refunding bonds) to advance refund the callable portion of the series 2004 general obligation bonds. The issuance proceeds of \$33,048,365 and a \$750,000 contribution from the District's debt service fund, a nonmajor governmental fund, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets. The principal balance outstanding of the defeased bonds was \$32,970,000 at June 30, 2012.

At June 30, 2012, the refunding issue is comprised of both current interest bonds, par value \$30,610,000, and capital appreciation bonds, par value \$295,000. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield to maturity 2.27%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,380,000. The bonds will be retired through the debt service fund, a nonmajor governmental fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$2,580,635. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$3,818,442 and resulted in an economic gain of \$2,868,735.

Interest payments on the current interest bonds are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2031.

The following is a summary of the future debt service requirements to maturity for the 2012 series advance refunding bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 180,000	\$ 1,091,486	\$ 1,271,486	\$ -	\$ -	\$ -
2014	160,000	1,176,731	1,336,731	-	-	-
2015	1,235,000	1,150,431	2,385,431	-	-	-
2016	1,305,000	1,099,631	2,404,631	-	-	-
2017	1,320,000	1,047,131	2,367,131	-	-	-
2018 - 2022	5,580,000	4,597,444	10,177,444	295,000	1,085,000	1,380,000
2023 - 2027	8,740,000	3,234,532	11,974,532	-	-	-
2028 - 2031	12,090,000	1,195,641	13,285,641	-	-	-
Total	\$ 30,610,000	\$ 14,593,027	\$ 45,203,027	\$ 295,000	\$ 1,085,000	\$ 1,380,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- D.** On December 16, 2009, the District issued \$875,000 in tax anticipation notes in order to provide funds to purchase the District's 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
2013	\$ 87,500	\$ 20,617	\$ 108,117
2014	87,500	17,773	105,273
2015	87,500	19,304	106,804
2016	87,500	19,523	107,023
2017	87,500	14,930	102,430
2018 - 2020	<u>218,750</u>	<u>17,226</u>	<u>235,976</u>
Total	<u>\$ 656,250</u>	<u>\$ 109,373</u>	<u>\$ 765,623</u>

E. 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, 2012, are a voted debt margin of \$(2,031,974) (including available funds of \$1,251,621) and an unvoted debt margin of \$329,849. The District is allowed to exceed its overall limitation because the original debt (2004 general obligation bonds) was issued within all applicable debt limitations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - 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.

NOTE 12 - 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 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.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2011.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - RISK MANAGEMENT - (Continued)

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 \$751,564 at June 30, 2012.

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>
2012	\$ 442,416	\$ 6,667,713	\$ (6,358,565)	\$ 751,564
2011	631,715	6,402,023	(6,591,322)	442,416

NOTE 13 - 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”.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

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 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,177,431, \$1,096,086 and \$1,147,647, respectively; 66.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 website at www.strsoh.org, under "Publications".

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2012, 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, 2012, 2011 and 2010 were \$3,929,104, \$3,907,441 and \$3,871,851, respectively; 84.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$51,225 made by the District and \$36,589 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 14 - 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 Section 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 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2012, 0.55 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 2012, 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, 2012, 2011 and 2010 were \$193,879, \$272,013 and \$176,144, respectively; 66.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$69,533, \$70,536 and \$68,248, respectively; 66.59 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, under "Publications" 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 2012, 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, 2012, 2011 and 2010 were \$302,239, \$300,572 and \$297,835, respectively; 84.56 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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	\$ (2,393,709)
Net adjustment for revenue accruals	108,495
Net adjustment for expenditure accruals	625,095
Net adjustment for other sources/uses	(141,661)
Funds budgeted elsewhere	77,759
Adjustment for encumbrances	1,735,812
GAAP basis	\$ 11,791

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the public school support fund, the District agency fund, the District rotary fund, the adult education fund, the recreation fund and the underground storage tank fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - 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, 2012.

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.

C. Debt

In fiscal year 2009, the Ohio School Facilities Commission (the "Commission") notified the District that the District had overdrawn on the State's share of the Construction Project by \$3,456,564. During fiscal year 2010, the Commission amended the project agreement, which reduced this amount to \$2,542,956. This amount is recorded as a payable in the classroom facilities fund.

NOTE 17 - SET-ASIDES

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

During fiscal year 2004, the District issued \$38,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$38,000,000 at June 30, 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 17 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	943,598
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,595,630)
Excess qualified expenditures from prior years	-
Current year offsets	(593,459)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,245,491)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 969,954
Classroom facilities	1,500,187
Other governmental	<u>266,629</u>
Total	<u>\$ 2,736,770</u>

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WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$693,941	\$693,941
National School Lunch Program	10.555	1,805,135	1,805,135
Summer Food Service Program	10.559	251,394	251,394
Direct Program:			
Non-Cash Assistance:			
National School Lunch Program		329,653	329,653
Sub-Total U.S. Department of Agriculture - Nutrition Cluster		3,080,123	3,080,123
Team Nutrition	10.574		1,857
Farm to School Grant	10.560	1,844	1,816
Fruit and Vegetable	10.582	124,440	124,440
Total U.S. Department of Agriculture		<u>3,206,407</u>	<u>3,208,236</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education:</i>			
Title 1 Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	545,608	391,461
Title I Sub A School Improvement	84.010	3,121,226	3,815,430
		11,000	
		3,677,834	4,206,891
ARRA Title I Grants to Local Educational Agencies (Recovery Act Funded)	84.389	339,346	517,103
Total Title I Part A Grants to Local Educational Agencies Cluster		4,017,180	4,723,994
Special Education Cluster:			
Special Education Grants to States	84.027	440,668	579,046
	84.027	1,169,193	1,094,820
		1,609,861	1,673,866
ARRA Special Education Grants tyo State -(Recovery Act Funded)	84.391	168,601	174,957
Total Special Education Grants to States - Special Education Cluster		1,778,462	1,848,823
Safe and Drug-Free Schools and Communities	84.186	21,308	22,197
Education Technology State Grants	84.318	16,878	21,895
	84.318	8,447	29,931
Total Education Technology State Grants		25,325	51,826
Improving Teacher Quality State Grants	84.367	71,487	117,782
	84.367	561,502	484,910
Total Improving Teacher Quality State Grants		632,989	602,692
Education Jobs	84.410	1,994,686	1,994,686
Fund For the Improvement of Education	84.215	35,781	33,899
Resident Educator	84.395	4,550	4,550
Total U.S. Department of Education		<u>8,510,281</u>	<u>9,282,667</u>
Totals:		<u>\$11,716,688</u>	<u>\$12,490,903</u>

The accompanying notes are an integral part of this schedule.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Warren City School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Warren City School District
Trumbull County
105 High Street
Warren, Ohio 44481

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren City School District, Trumbull County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 24, 2013, wherein we noted in Note 3 to the financial statements, the District restated beginning net assets of governmental activities due to a reappraisal of the District's capital assets during fiscal year 2012. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated May 24, 2013.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

May 24, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Warren City School District
Trumbull County
105 High Street
Warren, Ohio 44481

To the Board of Education:

Compliance

We have audited the compliance of 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 directly and materially affect the District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Warren City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The District's management 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 requirements that could directly and materially affect the major federal program, to determine our auditing procedures for the purpose of opining 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities, and others within the District. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

May 24, 2013

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Cluster including ARRA CFDA -84.010 and 84.389 Education Jobs- CFDA 84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding for Recovery - Athletic Receipts

<i>Finding Number</i>	2012-001
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Noncompliance

Len Redmond, a teacher and the faculty manager at Warren G. Harding High School, was responsible for all aspects of the athletic ticket sales applicable to Warren G. Harding High School as well as maintaining an efficient program of fund handling and deposit.

**Finding Number 2012-001
(Continued)**

Between August of 2009 and October of 2011, the District discovered that Mr. Redmond had not deposited, incorrectly reported, or had taken a total of \$46,422 of athletic receipts. Such instances can be recapped as follows:

- Cash receipts, evidenced by season ticket information on season ticket cards, supposed to be collected, but were not deposited in the amount of \$15,478;
- Cash receipts, evidenced by events with Ticket Detail Reports, supposed to be collected, but were not deposited in the amount of \$23,977;
- Cash receipts, evidenced by events without Ticket Detail Reports, supposed to be collected, but were not deposited in the amount of \$5,068;
- Cash receipts, evidenced by amounts on Ticket Detail Reports, were incorrectly reported in the amount of \$716; and
- Missing monies were \$1,183.

On or about October 31, 2011, the District received \$11,384 from Len Redmond as repayment for missing deposits.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies converted or misappropriated is hereby issued in the amount of \$35,038 (\$46,422 minus \$11,384) against Len Redmond and in favor of the Warren G. Harding School District Athletic Fund.

Officials' Response: This matter was discovered by the District and was reported to local law enforcement and the State Auditor's Office.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



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
JUNE 25, 2013**