

Warren City School District
Trumbull County, Ohio
Audited Financial Statements

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Warren City School District, Trumbull County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

This page intentionally left blank.

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

JUNE 30, 2011

Table of Contents

| | <i>Page</i> |
|--|-------------|
| Independent Auditor's Report | 1-2 |
| Management's Discussion and Analysis | 3-13 |
| Government-Wide Financial Statements: | |
| Statement of Net Assets | 14 |
| Statement of Activities | 15 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds..... | 16 |
| Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds..... | 18 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund | 20 |
| Statement of Fund Net Assets—Proprietary Funds..... | 21 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds..... | 22 |
| Statement of Cash Flows – Proprietary Funds | 23 |
| Statement of Fiduciary Net Assets | 24 |
| Statement of Changes in Fiduciary Net Assets – Fiduciary Funds | 25 |
| Notes to the Basic Financial Statements – Fiduciary Funds | 26-59 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 60-61 |

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

JUNE 30, 2011

*Table of Contents
(Continued)*

| | <i>Page</i> |
|--|-------------|
| Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 62-63 |
| Schedule of Expenditures of Federal Awards – Cash Basis | 64 |
| Notes to Schedule of Expenditures of Federal Awards – Cash Basis | 65 |
| Schedule of Findings & Questioned Costs | 66 |
| Schedule of Prior Audit Findings | 67 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures..... | 68 |

December 30, 2011

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren City School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Rea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities decreased \$2,382,257 which represents a 1.60% decrease from 2010.
- General revenues accounted for \$54,427,471 in revenue or 69.66% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$23,702,117 or 30.34% of total revenues of \$78,129,588.
- The District had \$80,511,845 in expenses related to governmental activities; \$23,702,117 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 \$54,427,471 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 \$58,479,574 in revenues and other financing sources, and \$61,269,781 in expenditures and other financing uses. During fiscal 2011, the general fund's fund balance decreased \$2,790,207 from a restated balance of \$13,551,467 to \$10,761,260.
- The classroom facilities fund had \$136,510 in revenues and \$7,607,821 in expenditures and other financing uses. During fiscal 2011, the classroom facilities fund's fund balance decreased \$7,471,311 from \$22,554,964 to \$15,083,653.

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, 2011

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 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported on the statement of net assets and in the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-59 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 2011 and 2010.

| | Net Assets | |
|--|---|---|
| | Governmental Activities <u>2011</u> | Governmental Activities <u>2010</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 70,849,473 | \$ 78,220,720 |
| Capital assets, net | <u>140,062,935</u> | <u>139,006,176</u> |
| Total assets | <u>210,912,408</u> | <u>217,226,896</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 25,416,276 | 28,526,576 |
| Long-term liabilities | <u>39,031,907</u> | <u>39,853,838</u> |
| Total liabilities | <u>64,448,183</u> | <u>68,380,414</u> |
| <u>Net assets</u> | | |
| Invested in capital assets, net of related debt | 113,343,304 | 116,044,665 |
| Restricted | 16,480,380 | 17,474,333 |
| Unrestricted | <u>16,640,541</u> | <u>15,327,484</u> |
| Total net assets | <u>\$ 146,464,225</u> | <u>\$ 148,846,482</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$146,464,225. Of this total, \$16,640,541 is unrestricted in use. Current assets decreased by \$7,371,247, primarily due to the District spending cash for the OSFC building project during fiscal year 2011.

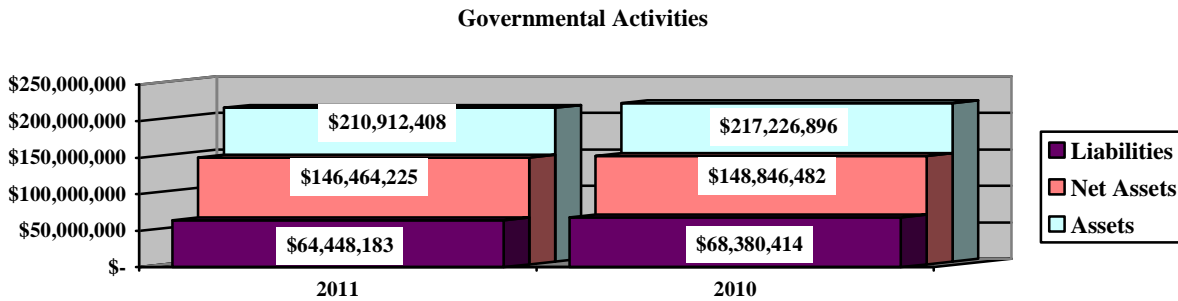
**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

At year-end, capital assets represented 66.41% of total assets. Capital assets include land, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$113,343,304. 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, \$16,480,380, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$16,640,541 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, 2011 and 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010. Certain 2010 amounts have been reclassified to conform to 2011 presentation.

Change in Net Assets

| | Governmental Activities 2011 | Governmental Activities 2010 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 2,236,731 | \$ 2,536,405 |
| Operating grants and contributions | 21,465,386 | 19,227,998 |
| General revenues: | | |
| Property taxes | 13,771,173 | 14,779,448 |
| Grants and entitlements | 40,246,537 | 41,513,166 |
| Investment earnings | 329,993 | 651,850 |
| Miscellaneous | 79,768 | 70,228 |
| Total revenues | <u>78,129,588</u> | <u>78,779,095</u> |

- - continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Change in Net Assets (Continued) | |
|---|---|---|
| | Governmental Activities <u>2011</u> | Governmental Activities <u>2010</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 29,996,880 | \$ 29,501,729 |
| Special | 10,516,504 | 10,335,657 |
| Vocational | 222,464 | 189,774 |
| Other | 2,686,262 | 2,719,671 |
| Support services: | | |
| Pupil | 3,682,408 | 3,491,041 |
| Instructional staff | 5,765,671 | 5,451,084 |
| Board of education | 41,408 | 65,711 |
| Administration | 5,965,893 | 5,488,672 |
| Fiscal | 1,131,559 | 1,063,207 |
| Business | 725,600 | 732,211 |
| Operations and maintenance | 9,386,757 | 9,418,820 |
| Pupil transportation | 2,828,247 | 2,921,401 |
| Central | 1,327,971 | 1,393,176 |
| Operations of non-instructional services: | | |
| Food service operations | 3,179,950 | 3,023,824 |
| Other non-instructional services | 230,916 | 534,730 |
| Extracurricular activities | 1,167,297 | 1,230,267 |
| Interest and fiscal charges | <u>1,656,058</u> | <u>1,670,228</u> |
| Total expenses | <u>80,511,845</u> | <u>79,231,203</u> |
| Change in net assets | (2,382,257) | (452,108) |
| Net assets at beginning of year | <u>148,846,482</u> | <u>149,298,590</u> |
| Net assets at end of year | <u>\$ 146,464,225</u> | <u>\$ 148,846,482</u> |

Governmental Activities

Net assets of the District's governmental activities decreased \$2,382,257. Total governmental expenses of \$80,511,845 were offset by program revenues of \$23,702,117 and general revenues of \$54,427,471. Program revenues supported 29.44% 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 69.14% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

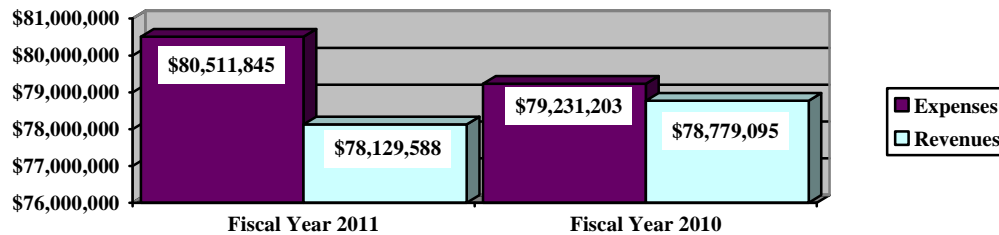
Operating grants and contributions increased by approximately \$2.24 million over the prior fiscal year. This is primarily due to grants received from the American Recovery and Reinvestment Act (ARRA) and the Education Jobs program. General grants and entitlements decreased approximately \$1.27 million from the prior fiscal year due to a \$939,415 grant from the Ohio Schools Facilities Commission received in FY2010. Tax revenue decreased approximately \$1 million due to the phase out of the tangible personal property tax and the District having less available as tax advances at year end. Interest revenue decreased approximately \$321,000 due to lower interest rates and the District having less funds to invest during the year.

Expenses remained consistent with the prior fiscal year.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$43,422,110 or 53.93% of total governmental expenses for fiscal 2011.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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. Certain 2010 amounts have been reclassified to conform to 2011 presentation.

| Governmental Activities | | | | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| | <u>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 29,996,880 | \$ 24,293,331 | \$ 29,501,729 | \$ 26,329,001 |
| Special | 10,516,504 | 1,920,983 | 10,335,657 | 1,435,594 |
| Vocational | 222,464 | 8,350 | 189,774 | (22,746) |
| Other | 2,686,262 | 2,661,324 | 2,719,671 | 2,695,670 |
| Support services: | | | | |
| Pupil | 3,682,408 | 3,090,739 | 3,491,041 | 2,930,901 |
| Instructional staff | 5,765,671 | 2,265,692 | 5,451,084 | 1,999,499 |
| Board of education | 41,408 | 41,408 | 65,711 | 65,711 |
| Administration | 5,965,893 | 5,641,388 | 5,488,672 | 5,230,730 |
| Fiscal | 1,131,559 | 860,428 | 1,063,207 | 744,298 |
| Business | 725,600 | 725,600 | 732,211 | 732,183 |
| Operations and maintenance | 9,386,757 | 9,236,891 | 9,418,820 | 9,221,616 |
| Pupil transportation | 2,828,247 | 2,221,436 | 2,921,401 | 2,296,299 |
| Central | 1,327,971 | 1,327,971 | 1,393,176 | 1,393,176 |
| Operations of non-instructional services: | | | | |
| Food service operations | 3,179,950 | (74,617) | 3,023,824 | (312,828) |
| Other non-instructional services | 230,916 | (42,328) | 534,730 | 98,055 |
| Extracurricular activities | 1,167,297 | 975,074 | 1,230,267 | 959,413 |
| Interest and fiscal charges | <u>1,656,058</u> | <u>1,656,058</u> | <u>1,670,228</u> | <u>1,670,228</u> |
| Total expenses | <u>\$ 80,511,845</u> | <u>\$ 56,809,728</u> | <u>\$ 79,231,203</u> | <u>\$ 57,466,800</u> |

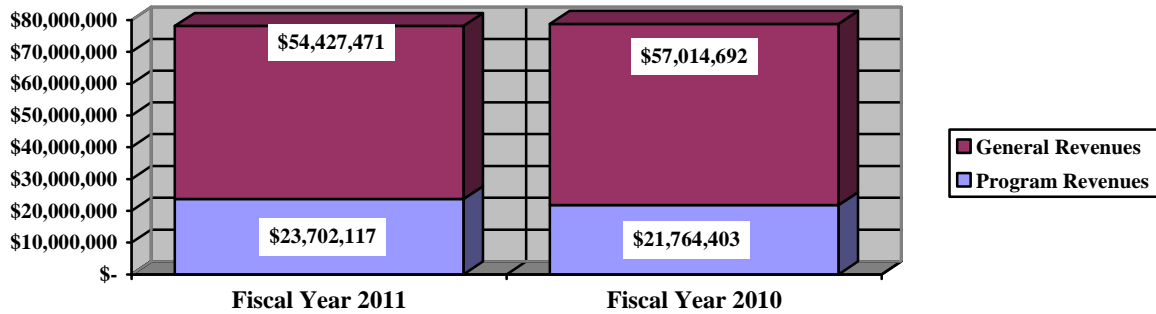
The dependence upon tax and other general revenues for governmental activities is apparent, 66.52% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.56%. The District's taxpayers and unrestricted grants and 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, 2011

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$32,831,538, which is less than last year's total of \$40,812,791. The District restated 2010 fund balances as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

| | Fund Balance June 30, 2011 | Restated Fund Balance June 30, 2010 | Increase (Decrease) | Percentage Change |
|----------------------|-------------------------------|---|------------------------|----------------------|
| Major funds: | | | | |
| General | \$ 10,761,260 | \$ 13,551,467 | \$ (2,790,207) | (20.59) % |
| Classroom facilities | 15,083,653 | 22,554,964 | (7,471,311) | (33.12) % |
| Other governmental | <u>6,986,625</u> | <u>4,706,360</u> | <u>2,280,265</u> | 48.45 % |
| Total | <u>\$ 32,831,538</u> | <u>\$ 40,812,791</u> | <u>\$ (7,981,253)</u> | (19.56) % |

General Fund

The District's general fund balance decreased \$2,790,207. The decrease in fund balance can be attributed to several items related to decreasing revenues and increasing expenditures. Tax revenue decreased 3.98% when compared to the prior fiscal year. This is mainly due to the phase-out of the tangible personal property tax on businesses under HB 66. Earnings on investments decreased due to lower market interest rates.

Instructional expenditures increased 2.53% over the prior fiscal year. This increase is due to an increase in wages and benefits. Support services expenditures increased 3.46%. This is primarily due to the increased cost of basic utilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

| | 2011 | Restated 2010 | Increase (Decrease) | Percentage Change |
|---|----------------------|----------------------|------------------------|----------------------|
| | <u>Amount</u> | <u>Amount</u> | | |
| <u>Revenues</u> | | | | |
| Taxes | \$ 11,794,811 | \$ 12,283,384 | \$ (488,573) | (3.98) % |
| Tuition | 1,169,537 | 1,242,659 | (73,122) | (5.88) % |
| Earnings on investments | 162,653 | 269,421 | (106,768) | (39.63) % |
| Intergovernmental | 44,756,750 | 44,816,853 | (60,103) | (0.13) % |
| Other revenues | <u>555,592</u> | <u>589,978</u> | <u>(34,386)</u> | (5.83) % |
| | | | | |
| Total | <u>\$ 58,439,343</u> | <u>\$ 59,202,295</u> | <u>\$ (762,952)</u> | (1.29) % |
| | | | | |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 36,094,844 | \$ 35,202,658 | \$ 892,186 | 2.53 % |
| Support services | 24,115,917 | 23,309,383 | 806,534 | 3.46 % |
| Non-instructional services | 2,194 | 11,330 | (9,136) | (80.64) % |
| Extracurricular activities | 854,319 | 798,453 | 55,866 | 7.00 % |
| Facilities acquisition and construction | <u>62,487</u> | <u>42,258</u> | <u>20,229</u> | 47.87 % |
| | | | | |
| Total | <u>\$ 61,129,761</u> | <u>\$ 59,364,082</u> | <u>\$ 1,765,679</u> | 2.97 % |

Classroom Facilities Fund

The classroom facilities fund had \$136,510 in revenues and other financing sources and \$7,607,821 in expenditures and other financing uses. During fiscal 2011, the classroom facilities fund's fund balance decreased \$7,471,311 from \$22,554,964 to \$15,083,653. The decrease in fund balance is due to expenditures for the District's construction project.

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and financing sources were \$70,338,935 and final budgeted revenues and other financing sources were \$61,014,333. 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 2010 were \$60,963,515. This represents a \$50,818 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$64,133,777 were increased to \$64,185,872 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$62,727,662, which was \$1,458,210 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, 2011

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$140,062,935 invested in land, buildings and improvements, furniture and equipment, vehicles and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

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

| | Governmental Activities | |
|---------------------------|-------------------------|----------------|
| | 2011 | 2010 |
| Land | \$ 8,350,888 | \$ 8,350,888 |
| Construction in progress | - | 30,025,277 |
| Building and improvements | 130,842,160 | 99,875,688 |
| Furniture and equipment | 413,506 | 275,291 |
| Vehicles | 456,381 | 479,032 |
| Total | \$ 140,062,935 | \$ 139,006,176 |

The overall increase in capital assets of \$1,056,759 is due to capital outlays of \$4,271,407 exceeding depreciation expense of \$2,559,726 and disposals of \$654,922 (net of accumulated depreciation) 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, 2011, the District had \$33,770,000 in general obligation bonds and \$743,750 in tax anticipation notes outstanding. Of this total, \$887,500 is due within one year and \$33,626,250 due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2011</u> | Governmental Activities <u>2010</u> |
|------------------------|---|---|
| | General obligation bonds | \$ 33,770,000 |
| Tax anticipation notes | 743,750 | 831,250 |
| Total | \$ 34,513,750 | \$ 35,346,250 |

At June 30, 2011, the District had a voted debt margin of \$1,373,036 and an unvoted debt margin of \$367,975.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2012. 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 2013. 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 2014. In recent fiscal years the Board and Administration have carefully managed the budget to minimize the size of an additional request from the community. The District will continue to monitor and cut costs where possible to further decrease the request.

The District is excited and looking forward to the completion of its Ohio School Facilities Commission (OSFC) Project in September 2011. The project provides new school buildings for every student in the District. The local community passed a Bond Issue in November 2003 to provide the Local Share of the Project and the funds for Locally Funded Initiatives to further enhance the project.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Angela Lewis, Treasurer, Warren City School District, 105 High Street, Warren, Ohio 44481.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments. | \$ 31,768,160 |
| Investments. | 16,462,258 |
| Cash with escrow agent | 135,526 |
| Receivables: | |
| Taxes | 17,813,544 |
| Accounts. | 40,842 |
| Intergovernmental | 3,960,569 |
| Accrued interest | 79,964 |
| Materials and supplies inventory. | 209,201 |
| Unamortized bond issuance costs | 379,409 |
| Capital assets: | |
| Land and construction in progress. | 8,350,888 |
| Depreciable capital assets, net. | 131,712,047 |
| Capital assets, net | 140,062,935 |
| Total assets. | 210,912,408 |
| Liabilities: | |
| Accounts payable. | 414,440 |
| Contracts payable. | 223,121 |
| Retainage payable | 135,526 |
| Accrued wages and benefits | 6,236,516 |
| Pension obligation payable. | 1,458,920 |
| Intergovernmental payable | 2,938,634 |
| Accrued interest payable | 133,880 |
| Claims payable. | 442,416 |
| Unearned revenue | 13,432,823 |
| Long-term liabilities: | |
| Due within one year. | 1,679,464 |
| Due in more than one year | 37,352,443 |
| Total liabilities | 64,448,183 |
| Net assets: | |
| Invested in capital assets, net of related debt. | 113,343,304 |
| Restricted for: | |
| Capital projects | 7,513,733 |
| Classroom facilities maintenance | 2,562,840 |
| Debt service. | 2,413,252 |
| State funded programs. | 178,651 |
| Federally funded programs | 2,474,309 |
| Food service operations. | 1,272,858 |
| Student activities | 51,396 |
| Other purposes | 13,341 |
| Unrestricted | 16,640,541 |
| Total net assets | \$ 146,464,225 |

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, 2011

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Assets |
|---|---------------|-----------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 29,996,880 | \$ 693,288 | \$ 5,010,261 | \$ (24,293,331) |
| Special | 10,516,504 | 552,337 | 8,043,184 | (1,920,983) |
| Vocational | 222,464 | - | 214,114 | (8,350) |
| Other | 2,686,262 | 24,938 | - | (2,661,324) |
| Support services: | | | | |
| Pupil | 3,682,408 | - | 591,669 | (3,090,739) |
| Instructional staff | 5,765,671 | - | 3,499,979 | (2,265,692) |
| Board of education | 41,408 | - | - | (41,408) |
| Administration. | 5,965,893 | - | 324,505 | (5,641,388) |
| Fiscal. | 1,131,559 | 152,504 | 118,627 | (860,428) |
| Business. | 725,600 | - | - | (725,600) |
| Operations and maintenance | 9,386,757 | 79,566 | 70,300 | (9,236,891) |
| Pupil transportation | 2,828,247 | 110,847 | 495,964 | (2,221,436) |
| Central | 1,327,971 | - | - | (1,327,971) |
| Operation of non-instructional services: | | | | |
| Food service operations | 3,179,950 | 431,961 | 2,822,606 | 74,617 |
| Other non-instructional services | 230,916 | 67 | 273,177 | 42,328 |
| Extracurricular activities | 1,167,297 | 191,223 | 1,000 | (975,074) |
| Interest and fiscal charges | 1,656,058 | - | - | (1,656,058) |
| | | | | |
| Total governmental activities | \$ 80,511,845 | \$ 2,236,731 | \$ 21,465,386 | (56,809,728) |
| | | | | |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 11,742,808 |
| Classroom facilities maintenance. | | | | 160,029 |
| Debt service. | | | | 1,714,432 |
| Capital outlay. | | | | 153,904 |
| Grants and entitlements not restricted | | | | |
| to specific programs | | | | 40,246,537 |
| Investment earnings | | | | 329,993 |
| Miscellaneous | | | | 79,768 |
| | | | | |
| Total general revenues | | | | 54,427,471 |
| | | | | |
| Change in net assets | | | | (2,382,257) |
| | | | | |
| Net assets at beginning of year. | | | | 148,846,482 |
| | | | | |
| Net assets at end of year | | | | \$ 146,464,225 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

| | <u>General</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---------------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 18,083,984 | \$ 1,354,670 | \$ 6,685,945 | \$ 26,124,599 |
| Investments. | - | 16,462,258 | - | 16,462,258 |
| Cash with escrow agent. | - | 135,526 | - | 135,526 |
| Receivables: | | | | |
| Taxes. | 15,246,283 | - | 2,567,261 | 17,813,544 |
| Accounts | 22,656 | - | 18,186 | 40,842 |
| Intergovernmental. | 13,674 | - | 3,946,895 | 3,960,569 |
| Accrued interest | 46,453 | 33,511 | - | 79,964 |
| Due from other funds | 39,280 | - | - | 39,280 |
| Materials and supplies inventory. | - | - | 209,201 | 209,201 |
| Total assets | <u>\$ 33,452,330</u> | <u>\$ 17,985,965</u> | <u>\$ 13,427,488</u> | <u>\$ 64,865,783</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 309,302 | \$ - | \$ 105,138 | \$ 414,440 |
| Contracts payable. | - | 195,970 | 27,151 | 223,121 |
| Retainage payable. | - | 135,526 | - | 135,526 |
| Accrued wages and benefits. | 5,314,012 | - | 922,504 | 6,236,516 |
| Compensated absences payable | 457,003 | - | 107 | 457,110 |
| Pension obligation payable | 1,085,312 | - | 373,608 | 1,458,920 |
| Intergovernmental payable | 355,760 | 2,542,956 | 39,918 | 2,938,634 |
| Due to other funds | - | - | 39,280 | 39,280 |
| Deferred revenue | 3,672,777 | 27,860 | 2,997,238 | 6,697,875 |
| Unearned revenue. | 11,496,904 | - | 1,935,919 | 13,432,823 |
| Total liabilities. | <u>22,691,070</u> | <u>2,902,312</u> | <u>6,440,863</u> | <u>32,034,245</u> |
| Fund balances: | | | | |
| Nonspendable. | - | - | 209,201 | 209,201 |
| Restricted. | - | 15,083,653 | 6,833,616 | 21,917,269 |
| Committed. | 95,716 | - | - | 95,716 |
| Assigned. | 2,005,462 | - | - | 2,005,462 |
| Unassigned (deficit). | 8,660,082 | - | (56,192) | 8,603,890 |
| Total fund balances | <u>10,761,260</u> | <u>15,083,653</u> | <u>6,986,625</u> | <u>32,831,538</u> |
| Total liabilities and fund balances | <u>\$ 33,452,330</u> | <u>\$ 17,985,965</u> | <u>\$ 13,427,488</u> | <u>\$ 64,865,783</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, 2011

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 32,831,538 |
| <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. | | | 140,062,935 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes receivable | \$ | 4,248,473 | |
| Intergovernmental receivable | | 2,398,629 | |
| Accrued interest receivable | | 50,773 | |
| Total | | 6,697,875 | 6,697,875 |
| 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. | | | 5,201,145 |
| Unamortized premium on bond issuance is not recognized in the funds. | | | (730,217) |
| Unamortized bond issuance costs are not recognized in the funds. | | | 379,409 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (133,880) |
| 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 | | 33,770,000 | |
| Tax anticipation note | | 743,750 | |
| Compensated absences | | 3,330,830 | |
| Total | | (37,844,580) | (37,844,580) |
| Net assets of governmental activities | | \$ | 146,464,225 |

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, 2011

| | <u>General</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---------------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 11,794,811 | \$ - | \$ 1,959,489 | \$ 13,754,300 |
| Tuition. | 1,169,537 | - | - | 1,169,537 |
| Transportation fees. | 110,847 | - | - | 110,847 |
| Earnings on investments | 162,653 | 136,510 | 3,943 | 303,106 |
| Charges for services | - | - | 431,162 | 431,162 |
| Extracurricular. | 8,151 | - | 143,513 | 151,664 |
| Classroom materials and fees | 31,173 | - | - | 31,173 |
| Other local revenues | 405,421 | - | 81,055 | 486,476 |
| Intergovernmental - state | 44,496,520 | - | 1,578,077 | 46,074,597 |
| Intergovernmental - federal | 260,230 | - | 13,302,594 | 13,562,824 |
| Total revenues | <u>58,439,343</u> | <u>136,510</u> | <u>17,499,833</u> | <u>76,075,686</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular. | 25,939,163 | - | 3,218,339 | 29,157,502 |
| Special | 7,262,980 | - | 3,035,298 | 10,298,278 |
| Vocational | 218,998 | - | - | 218,998 |
| Other | 2,673,703 | - | - | 2,673,703 |
| Support services: | | | | |
| Pupil | 3,139,933 | - | 541,918 | 3,681,851 |
| Instructional staff | 2,485,101 | - | 3,335,818 | 5,820,919 |
| Board of education | 43,310 | - | - | 43,310 |
| Administration | 5,432,961 | - | 292,695 | 5,725,656 |
| Fiscal | 963,290 | - | 160,515 | 1,123,805 |
| Business. | 712,753 | - | - | 712,753 |
| Operations and maintenance | 7,465,994 | 1,834,138 | 148,925 | 9,449,057 |
| Pupil transportation | 2,558,869 | - | 212,701 | 2,771,570 |
| Central | 1,313,706 | - | 10,237 | 1,323,943 |
| Operation of non-instructional services: | | | | |
| Food service operations. | - | - | 3,292,802 | 3,292,802 |
| Other non-instructional services. | 2,194 | - | 234,103 | 236,297 |
| Extracurricular activities | 854,319 | - | 244,333 | 1,098,652 |
| Facilities acquisition and construction. | 62,487 | 3,329,000 | 578,423 | 3,969,910 |
| Debt service: | | | | |
| Principal retirement. | - | - | 832,500 | 832,500 |
| Interest and fiscal charges | - | - | 1,675,270 | 1,675,270 |
| Total expenditures | <u>61,129,761</u> | <u>5,163,138</u> | <u>17,813,877</u> | <u>84,106,776</u> |
| Excess of expenditures over revenues. | <u>(2,690,418)</u> | <u>(5,026,628)</u> | <u>(314,044)</u> | <u>(8,031,090)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 38,397 | - | - | 38,397 |
| Transfers in. | 1,834 | - | 2,547,263 | 2,549,097 |
| Transfers (out) | (140,020) | (2,444,683) | (1,834) | (2,586,537) |
| Total other financing sources (uses) | <u>(99,789)</u> | <u>(2,444,683)</u> | <u>2,545,429</u> | <u>957</u> |
| Net change in fund balances | (2,790,207) | (7,471,311) | 2,231,385 | (8,030,133) |
| Fund balances at beginning of year (restated). | 13,551,467 | 22,554,964 | 4,706,360 | 40,812,791 |
| Increase in reserve for inventory | - | - | 48,880 | 48,880 |
| Fund balances at end of year. | <u>\$ 10,761,260</u> | <u>\$ 15,083,653</u> | <u>\$ 6,986,625</u> | <u>\$ 32,831,538</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, 2011

| | | |
|--|--------------|--------------------|
| Net change in fund balances - total governmental funds | \$ | (8,030,133) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period. | | |
| Capital asset additions | \$ 4,271,407 | |
| Current year depreciation | (2,559,726) | |
| Total | | 1,711,681 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. | | |
| | | (654,922) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | 48,880 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Taxes | 16,873 | |
| Interest revenue | 30,639 | |
| Intergovernmental revenue | 2,006,390 | |
| Total | | 2,053,902 |
| 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. | | |
| | | 832,500 |
| 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 | 2,030 | |
| Amortization of bond issuance costs | (18,583) | |
| Amortization of bond premiums | 35,765 | |
| Total | | 19,212 |
| 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. | | |
| | | 73,836 |
| 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. | | |
| | | 1,562,787 |
| Change in net assets of governmental activities | \$ | (2,382,257) |

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, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 13,723,144 | \$ 11,903,912 | \$ 11,903,910 | \$ (2) |
| Tuition. | 1,351,147 | 1,172,030 | 1,169,157 | (2,873) |
| Transportation fees. | 132,575 | 115,000 | 92,687 | (22,313) |
| Earnings on investments | 242,094 | 210,000 | 209,941 | (59) |
| Other local revenues | 242,796 | 210,610 | 187,171 | (23,439) |
| Intergovernmental - state | 51,303,237 | 44,502,135 | 44,500,032 | (2,103) |
| Intergovernmental - federal | 300,029 | 260,255 | 260,230 | (25) |
| Total revenues | <u>67,295,022</u> | <u>58,373,942</u> | <u>58,323,128</u> | <u>(50,814)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 26,502,900 | 26,524,428 | 26,037,682 | 486,746 |
| Special. | 7,192,496 | 7,198,339 | 7,188,698 | 9,641 |
| Vocational. | 221,007 | 221,187 | 219,075 | 2,112 |
| Other. | 2,762,840 | 2,765,084 | 2,743,153 | 21,931 |
| Support services: | | | | |
| Pupil. | 3,093,299 | 3,095,812 | 3,072,130 | 23,682 |
| Instructional staff | 2,470,513 | 2,472,520 | 2,459,637 | 12,883 |
| Board of education | 77,604 | 77,667 | 59,615 | 18,052 |
| Administration. | 5,541,707 | 5,546,208 | 5,416,191 | 130,017 |
| Fiscal | 956,804 | 957,581 | 924,101 | 33,480 |
| Business | 871,808 | 872,516 | 804,382 | 68,134 |
| Operations and maintenance. | 8,940,570 | 8,947,832 | 8,552,677 | 395,155 |
| Pupil transportation | 2,786,677 | 2,788,941 | 2,701,024 | 87,917 |
| Central. | 1,621,893 | 1,623,210 | 1,464,742 | 158,468 |
| Extracurricular activities. | 798,887 | 799,536 | 797,646 | 1,890 |
| Facilities acquisition and construction | 74,190 | 74,250 | 74,203 | 47 |
| Total expenditures | <u>63,913,195</u> | <u>63,965,111</u> | <u>62,514,956</u> | <u>1,450,155</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>3,381,827</u> | <u>(5,591,169)</u> | <u>(4,191,828)</u> | <u>1,399,341</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 377,155 | 327,157 | 327,157 | - |
| Refund of prior year's (receipts) | (4,996) | (5,000) | - | 5,000 |
| Transfers in | 13,643 | 11,834 | 11,834 | - |
| Transfers (out). | (214,826) | (215,000) | (212,706) | 2,294 |
| Advances in. | 2,609,423 | 2,263,500 | 2,263,500 | - |
| Contingencies. | (760) | (761) | - | 761 |
| Sale of capital assets | 43,692 | 37,900 | 37,896 | (4) |
| Total other financing sources (uses) | <u>2,823,331</u> | <u>2,419,630</u> | <u>2,427,681</u> | <u>8,051</u> |
| Net change in fund balance | 6,205,158 | (3,171,539) | (1,764,147) | 1,407,392 |
| Fund balance at beginning | | | | |
| of year (restated). | 15,989,348 | 15,989,348 | 15,989,348 | - |
| Prior year encumbrances appropriated | 1,394,727 | 1,394,727 | 1,394,727 | - |
| Fund balance at end of year | <u>\$ 23,589,233</u> | <u>\$ 14,212,536</u> | <u>\$ 15,619,928</u> | <u>\$ 1,407,392</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

| | <u>Governmental Activities - Internal Service Funds</u> |
|--|--|
| Assets: | |
| Current assets: | |
| Equity in pooled cash and investments | \$ 5,643,561 |
| Total assets. | <u>5,643,561</u> |
| Liabilities: | |
| Current liabilities: | |
| Claims payable | <u>442,416</u> |
| Total liabilities | <u>442,416</u> |
| Net assets: | |
| Unrestricted. | <u>5,201,145</u> |
| Total net assets | <u><u>\$ 5,201,145</u></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, 2011

| | Governmental Activities - Internal Service Funds |
|--|---|
| Operating revenues: | |
| Charges for services. | \$ 8,037,733 |
| Other | 2,774 |
| Total operating revenues | <u>8,040,507</u> |
| Operating expenses: | |
| Personal services. | 3,360 |
| Purchased services. | 54,123 |
| Materials and supplies | 55,654 |
| Claims | 6,402,023 |
| Total operating expenses. | <u>6,515,160</u> |
| Operating income | <u>1,525,347</u> |
| Transfer in | <u>37,440</u> |
| Change in net assets. | 1,562,787 |
| Net assets at beginning of year | <u>3,638,358</u> |
| Net assets at end of year. | <u>\$ 5,201,145</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, 2011

| | Governmental Activities - Internal Service Funds |
|---|---|
| Cash flows from operating activities: | |
| Cash received from charges for services | \$ 8,037,733 |
| Cash received from other operations | 4,887 |
| Cash payments for personal services | (3,360) |
| Cash payments for purchased services | (54,123) |
| Cash payments for materials and supplies | (68,434) |
| Cash payments for claims | <u>(6,591,322)</u> |
| Net cash provided by operating activities | <u>1,325,381</u> |
| Cash flows from noncapital financing activities: | |
| Cash received from transfers in | <u>37,440</u> |
| Net increase in cash and investments | 1,362,821 |
| Cash and investments at beginning of year | <u>4,280,740</u> |
| Cash and investments at end of year | <u><u>\$ 5,643,561</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 1,525,347 |
| Changes in assets and liabilities: | |
| Decrease in due from other funds | 2,113 |
| Decrease in accounts payable | (12,780) |
| Decrease in claims payable | <u>(189,299)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,325,381</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, 2011

| | <u>Private Purpose Trust</u> | |
|--|----------------------------------|------------------|
| | <u>Scholarship</u> | <u>Agency</u> |
| Assets: | | |
| Equity in pooled cash and investments | \$ 29,170 | \$ 27,653 |
| Total assets | <u>29,170</u> | <u>\$ 27,653</u> |
| Liabilities: | | |
| Due to students. | - | \$ 27,653 |
| Total liabilities | <u>-</u> | <u>\$ 27,653</u> |
| Net assets: | | |
| Held in trust for scholarships | <u>29,170</u> | |
| Total net assets | <u>\$ 29,170</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Private Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest. | \$ 111 |
| Change in net assets. | 111 |
| Net assets at beginning of year | 29,059 |
| Net assets at end of year. | \$ 29,170 |

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, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 58th largest by enrollment among the 918 public and community school districts in the State. The District employs 329 non-certified and 504 certified employees to provide services to approximately 5,368 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, 2011

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 2011. 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, 2011

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, 2011

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, 2011

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011, 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 2011 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 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011, investments were limited to federal agency securities, U.S. government money market mutual funds, negotiable CDs, a repurchase agreement, 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 2011. 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, 2011.

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 2011 amounted to \$162,653, which includes \$74,590 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, 2011

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. Interest incurred during the construction of capital assets is also capitalized.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, 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, 2011 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, 2011

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, 2011**

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 Bond Issuance Costs

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

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.

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 2011, the District had no extraordinary or special items.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

| | <u>General</u> | <u>Classroom Facilities</u> | <u>Nonmajor Governmental</u> | <u>Total Governmental</u> |
|---------------------------------------|----------------------|---------------------------------|----------------------------------|-------------------------------|
| Fund balance as previously reported | \$ 13,259,484 | \$ 22,554,964 | \$ 4,998,343 | \$ 40,812,791 |
| Fund reclassifications: | | | | |
| Public school support fund | 128,362 | - | (128,362) | - |
| Uniform school supplies | 77,203 | - | (77,203) | - |
| Adult education fund | 86,382 | - | (86,382) | - |
| Recreation fund | 36 | - | (36) | - |
| Total fund reclassifications | <u>291,983</u> | <u>-</u> | <u>(291,983)</u> | <u>-</u> |
| Restated fund balance at July 1, 2010 | <u>\$ 13,551,467</u> | <u>\$ 22,554,964</u> | <u>\$ 4,706,360</u> | <u>\$ 40,812,791</u> |

The fund reclassifications did not have an effect on net assets as previously reported.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

| | <u>General Fund</u> |
|----------------------------------|----------------------|
| Balance at June 30, 2010 | \$ 16,685,203 |
| Funds budgeted elsewhere | <u>(695,855)</u> |
| Restated balance at July 1, 2010 | <u>\$ 15,989,348</u> |

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

| <u>Nonmajor governmental funds:</u> | <u>Deficit</u> |
|-------------------------------------|----------------|
| Public school preschool | \$ 6,254 |
| Alternative education | 4,368 |
| Title VI-B | 38,209 |
| Title I | 7,108 |
| Miscellaneous federal grants | 253 |

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$4,420 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Escrow Agent

At fiscal year end, \$135,526 was on deposit in the District's escrow account and excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$6,585,981, 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, 2011, \$4,060,687 of the District's bank balance of \$6,810,687 was exposed to custodial risk as discussed below, while \$2,750,000 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2011, 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 | \$ 8,264,391 | \$ 1,777,417 | \$ 2,009,425 | \$ - | \$ - | \$ 4,477,549 |
| FFCB | 2,265,582 | - | 1,015,520 | - | 1,250,062 | - |
| FHLMC | 3,615,348 | - | 1,515,000 | - | - | 2,100,348 |
| FNMA | 8,161,416 | - | - | - | 775,163 | 7,386,253 |
| Negotiable CDs | 12,788,597 | 5,754,462 | 4,518,925 | 1,755,393 | 759,817 | - |
| Repurchase agreement | 4,293,600 | 4,293,600 | - | - | - | - |
| U.S. Government money market mutual funds | 2,134,804 | 2,134,804 | - | - | - | - |
| STAR Ohio | 173,102 | 173,102 | - | - | - | - |
| | <u>\$ 41,696,840</u> | <u>\$ 14,133,385</u> | <u>\$ 9,058,870</u> | <u>\$ 1,755,393</u> | <u>\$ 2,785,042</u> | <u>\$ 13,964,150</u> |

The weighted average maturity of investments is 1.51 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 AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. 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 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2011:

| <u>Investment type</u> | <u>Fair value</u> | <u>% of Total</u> |
|------------------------|----------------------|-------------------|
| FHLB | \$ 8,264,391 | 19.82 |
| FFCB | 2,265,582 | 5.43 |
| FHLMC | 3,615,348 | 8.67 |
| FNMA | 8,161,416 | 19.57 |
| Negotiable CDs | 12,788,597 | 30.67 |
| U.S. Government money | | |
| market mutual funds | 2,134,804 | 5.12 |
| Repurchase agreement | 4,293,600 | 10.30 |
| STAR Ohio | 173,102 | 0.42 |
| | <u>\$ 41,696,840</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 6,585,981 |
| Investments | 41,696,840 |
| Cash with escrow agent | 135,526 |
| Cash on hand | 4,420 |
| Total | <u>\$ 48,422,767</u> |
| <u>Cash and investments per statement of net assets</u> | |
| Governmental activities | \$ 48,365,944 |
| Private-purpose trust fund | 29,170 |
| Agency fund | 27,653 |
| Total | <u>\$ 48,422,767</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consisted of the following due to/from other funds at June 30, 2011, as reported on the fund statements:

| | <u>Amount</u> |
|--------------------------------------|------------------|
| <u>Due to the general fund from:</u> | |
| Nonmajor governmental funds | <u>\$ 39,280</u> |

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

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, 2011, consisted of the following, as reported on the fund financial statements:

| | <u>Amount</u> |
|---|---------------|
| <u>Transfers to general fund from:</u> | |
| Nonmajor governmental funds | \$ 1,834 |
| <u>Transfers to internal service fund from:</u> | |
| General | 37,440 |
| <u>Transfers to nonmajor governmental funds from:</u> | |
| General | 102,580 |
| Classroom facilities fund | 2,444,683 |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The purpose of the transfer to the general fund was a residual equity transfer from the miscellaneous federal grant fund, a nonmajor governmental fund.

The primary purpose of the transfer from the classroom facilities fund was to move interest earned on the local share of the Ohio School Facilities Commission (OSFC) project to the building fund, a nonmajor governmental fund. This transfer was approved by the OSFC and is in accordance with Am. Sub. HB 119.

All transfers made in fiscal year 2011 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an 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. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$222,288 in the general fund, \$32,023 in the debt service fund, a nonmajor governmental fund, \$2,797 in the permanent improvement fund, a nonmajor governmental fund, and \$2,385 in the classroom facilities maintenance fund, a nonmajor governmental fund. 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, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | 2010 Second Half Collections | | 2011 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 352,794,840 | 95.18 | \$ 350,414,590 | 95.22 |
| Public utility personal | 17,067,390 | 4.61 | 17,560,410 | 4.78 |
| Tangible personal property | <u>812,200</u> | <u>0.21</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 370,674,430</u> | <u>100.00</u> | <u>\$ 367,975,000</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 59.25 | | \$ 59.50 | |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 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 | \$ 17,813,544 |
| Accounts | 40,842 |
| Intergovernmental | 3,960,569 |
| Accrued interest | <u>79,964</u> |
| Total | <u>\$ 21,894,919</u> |

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | <u>Balance</u> <u>6/30/10</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/11</u> |
|---|----------------------------------|----------------------|------------------------|----------------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 8,350,888 | \$ - | \$ - | \$ 8,350,888 |
| Construction in progress | <u>30,025,277</u> | <u>3,802,997</u> | <u>(33,828,274)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>38,376,165</u> | <u>3,802,997</u> | <u>(33,828,274)</u> | <u>8,350,888</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings and improvements | 110,486,144 | 34,021,550 | (7,148,471) | 137,359,223 |
| Furniture and equipment | 1,283,986 | 185,361 | (264,806) | 1,204,541 |
| Vehicles | <u>2,420,012</u> | <u>89,773</u> | <u>(15,021)</u> | <u>2,494,764</u> |
| Total capital assets, being depreciated | <u>114,190,142</u> | <u>34,296,684</u> | <u>(7,428,298)</u> | <u>141,058,528</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Buildings and improvements | (10,610,456) | (2,407,034) | 6,500,427 | (6,517,063) |
| Furniture and equipment | (1,008,695) | (40,268) | 257,928 | (791,035) |
| Vehicles | <u>(1,940,980)</u> | <u>(112,424)</u> | <u>15,021</u> | <u>(2,038,383)</u> |
| Total accumulated depreciation | <u>(13,560,131)</u> | <u>(2,559,726)</u> | <u>6,773,376</u> | <u>(9,346,481)</u> |
| Governmental activities capital assets, net | <u>\$ 139,006,176</u> | <u>\$ 35,539,955</u> | <u>\$ (34,483,196)</u> | <u>\$ 140,062,935</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 988,822 |
| Special | 422,359 |
| Vocational | 7,853 |
| Other | 12,559 |
| <u>Support services:</u> | |
| Pupil | 140,226 |
| Instructional staff | 141,656 |
| Administration | 266,259 |
| Fiscal | 19,475 |
| Business | 18,287 |
| Operations and maintenance | 265,602 |
| Pupil transportation | 97,479 |
| Central | 44,218 |
| Food service operations | 65,094 |
| Extracurricular activities | <u>69,837</u> |
| Total depreciation expense | <u>\$ 2,559,726</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

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

| | Balance | | | Balance | Amounts |
|--|----------------------|---------------------|--|----------------------|----------------------------------|
| | <u>6/30/10</u> | <u>Additions</u> | <u>Deductions</u> | <u>6/30/11</u> | <u>Due in</u> <u>One Year</u> |
| Governmental activities: | | | | | |
| Compensated absences payable | \$ 3,741,606 | \$ 1,018,256 | \$ (971,922) | \$ 3,787,940 | \$ 791,964 |
| Tax anticipation note | 831,250 | - | (87,500) | 743,750 | 87,500 |
| G.O. bonds payable | <u>34,515,000</u> | <u>-</u> | <u>(745,000)</u> | <u>33,770,000</u> | <u>800,000</u> |
| Total governmental activities long-term liabilities | <u>\$ 39,087,856</u> | <u>\$ 1,018,256</u> | <u>\$ (1,804,422)</u> | 38,301,690 | <u>\$ 1,679,464</u> |
| | | | Add: unamortized premium on bond issue | <u>730,217</u> | |
| | | | Total on statement of net assets | <u>\$ 39,031,907</u> | |

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

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

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

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

At June 30, 2011 there was \$8,144,927 in unspent proceeds remaining on this bond issue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

| Fiscal Year Ended | General Obligation Bonds | | |
|----------------------|--------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2012 | \$ 800,000 | \$ 1,623,790 | \$ 2,423,790 |
| 2013 | 995,000 | 1,591,134 | 2,586,134 |
| 2014 | 1,070,000 | 1,552,683 | 2,622,683 |
| 2015 | 1,075,000 | 1,512,193 | 2,587,193 |
| 2016 | 1,135,000 | 1,463,125 | 2,598,125 |
| 2017 - 2021 | 6,185,000 | 6,415,375 | 12,600,375 |
| 2022 - 2026 | 7,915,000 | 4,712,875 | 12,627,875 |
| 2027 - 2031 | 11,750,000 | 2,256,000 | 14,006,000 |
| 2032 | 2,845,000 | 71,125 | 2,916,125 |
| Total | <u>\$ 33,770,000</u> | <u>\$ 21,198,300</u> | <u>\$ 54,968,300</u> |

- C. On December 16, 2009, the District issued \$875,000 in tax anticipation notes in order to provide funds to purchase the District's 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 |
| 2012 | \$ 87,500 | \$ 23,461 | \$ 110,961 |
| 2013 | 87,500 | 20,617 | 108,117 |
| 2014 | 87,500 | 17,773 | 105,273 |
| 2015 | 87,500 | 19,304 | 106,804 |
| 2016 | 87,500 | 19,523 | 107,023 |
| 2017 - 2020 | 306,250 | 32,156 | 338,406 |
| Total | <u>\$ 743,750</u> | <u>\$ 132,834</u> | <u>\$ 876,584</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$1,373,036 (including available funds of \$2,025,286) and an unvoted debt margin of \$367,975.

NOTE 10 - COMPENSATED ABSENCES

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. Property insurance is maintained in with a \$10,000 deductible. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. In addition, the District maintains a \$6,000,000 umbrella liability policy.

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

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 2010.

B. Workers' Compensation

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

C. Health Insurance

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

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

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

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

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$442,416 at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

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

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|--------------------------------|----------------------------|---------------------------|
| 2011 | \$ 631,715 | \$ 6,402,023 | \$ (6,591,322) | \$ 442,416 |
| 2010 | 799,100 | 5,887,650 | (6,055,035) | 631,715 |

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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 2011, 11.77 percent and 0.04 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, 2011, 2010 and 2009 were \$1,096,086, \$1,147,647 and \$782,067, respectively; 59.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$3,907,441, \$3,871,851 and \$3,804,849, respectively; 82.75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$48,730 made by the District and \$34,807 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, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 1.43 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 2011, 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, 2011, 2010 and 2009 were \$272,013, \$176,144 and \$486,343, respectively; 59.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$70,536, \$68,248 and \$64,527, respectively; 59.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, 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 2011, 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, 2011, 2010 and 2009 were \$300,572, \$297,835 and \$292,681, respectively; 82.75 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|-----------------------|
| Budget basis | \$ (1,764,147) |
| Net adjustment for revenue accruals | (90,758) |
| Net adjustment for expenditure accruals | 186,708 |
| Net adjustment for other sources/uses | (2,590,156) |
| Funds budgeted elsewhere | (12,483) |
| Adjustment for encumbrances | <u>1,480,629</u> |
| GAAP basis | <u>\$ (2,790,207)</u> |

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 and the recreation fund.

NOTE 15 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2011.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount 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. These amounts must be carried forward to be used for the same purposes in future years.

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

| | <u>Textbooks</u> | <u>Capital Improvements</u> |
|---|-----------------------|---------------------------------|
| Set-aside balance June 30, 2010 | \$ - | \$ - |
| Current year set-aside requirement | 780,838 | 780,838 |
| Contributions in excess of the current fiscal year set-aside requirement | - | - |
| Current year qualifying expenditures | (1,481,454) | (2,035,613) |
| Excess qualified expenditures from prior years | (636,473) | - |
| Current year offsets | - | - |
| Waiver granted by ODE | - | - |
| Prior year offset from bond proceeds | - | - |
| Total | <u>\$ (1,337,089)</u> | <u>\$ (1,254,775)</u> |
| Balance carried forward to fiscal year 2012 | <u>\$ -</u> | <u>\$ -</u> |
| Set-aside balance June 30, 2011 | <u>\$ -</u> | <u>\$ -</u> |

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District had contractual purchase commitments for the following projects:

| Contractor | Purchase Commitments | Amount Paid as of 6/30/2011 | Amount Remaining on Contracts |
|------------------------------|-------------------------|-----------------------------------|-------------------------------------|
| <u>Jefferson K-8 School:</u> | | | |
| Antenucci Inc. | \$ 2,110,283 | \$ 2,089,151 | \$ 21,132 |
| Enertech Electrical | 1,726,536 | 1,688,034 | 38,502 |
| Diorio Paving | 126,259 | 121,706 | 4,553 |
| Mid West Telephone | 158,739 | 153,066 | 5,673 |
| Fanning Howey | 1,009,288 | 1,004,356 | 4,932 |
| Continental Office Furniture | 485,407 | 442,960 | 42,447 |
| Zenith Systems LLC | 295,673 | 276,488 | 19,185 |
| Southern Cabinetry, Inc. | 39,250 | 38,440 | 810 |
| Carbone Ozanne Hammond | 1,274,758 | 839,777 | 434,981 |
| <u>McGuffy K-8 School:</u> | | | |
| Antenucci Inc. | 2,110,207 | 2,089,030 | 21,177 |
| Enertech Electrical | 1,689,335 | 1,670,729 | 18,606 |
| Mid West Telephone | 158,739 | 153,025 | 5,714 |
| Fanning Howey | 733,814 | 730,209 | 3,605 |
| Continental Office Furniture | 485,407 | 442,960 | 42,447 |
| Zenith Systems LLC | 295,674 | 279,722 | 15,952 |
| Southern Cabinetry, Inc. | 39,275 | 39,025 | 250 |
| Carbone Ozanne Hammond | 1,230,670 | 895,233 | 335,437 |
| <i>Totals</i> | <u>\$ 13,969,314</u> | <u>\$ 12,953,911</u> | <u>\$ 1,015,403</u> |

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable in the amount of \$223,121, for costs incurred prior to fiscal year end on the OSFC project.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| Fund balance | General | Classroom Facilities | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|----------------------|-------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Materials and supplies inventory | \$ - | \$ - | \$ 209,201 | \$ 209,201 |
| Total nonspendable | <u>-</u> | <u>-</u> | <u>209,201</u> | <u>209,201</u> |
| Restricted: | | | | |
| Debt service | - | - | 2,025,286 | 2,025,286 |
| Capital improvements | - | 15,083,653 | 502,749 | 15,586,402 |
| Classroom facilities maintenance | - | - | 2,516,801 | 2,516,801 |
| Food service operations | - | - | 1,122,046 | 1,122,046 |
| Non-public schools | - | - | 49,413 | 49,413 |
| Extracurricular | - | - | 51,396 | 51,396 |
| Targeted academic assistance | - | - | 20,132 | 20,132 |
| Other purposes | <u>-</u> | <u>-</u> | <u>545,793</u> | <u>545,793</u> |
| Total restricted | <u>-</u> | <u>15,083,653</u> | <u>6,833,616</u> | <u>21,917,269</u> |
| Committed: | | | | |
| Student and staff support | 79,606 | - | - | 79,606 |
| Other purposes | <u>16,110</u> | <u>-</u> | <u>-</u> | <u>16,110</u> |
| Total committed | <u>95,716</u> | <u>-</u> | <u>-</u> | <u>95,716</u> |
| Assigned: | | | | |
| Student instruction | 229,792 | - | - | 229,792 |
| Student and staff support | 940,065 | - | - | 940,065 |
| Uniform school supplies | 76,061 | - | - | 76,061 |
| BWC payments | 670,891 | - | - | 670,891 |
| Extracurricular | 167 | - | - | 167 |
| Other purposes | <u>88,486</u> | <u>-</u> | <u>-</u> | <u>88,486</u> |
| Total assigned | <u>2,005,462</u> | <u>-</u> | <u>-</u> | <u>2,005,462</u> |
| Unassigned (deficit) | <u>8,660,082</u> | <u>-</u> | <u>(56,192)</u> | <u>8,603,890</u> |
| Total fund balances | <u>\$ 10,761,260</u> | <u>\$ 15,083,653</u> | <u>\$ 6,986,625</u> | <u>\$ 32,831,538</u> |

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 19 - 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> | Year-End <u>Encumbrances</u> |
|----------------------|---------------------------------|
| General fund | \$ 1,135,535 |
| Classroom facilities | 1,438,231 |
| Other governmental | <u>243,214</u> |
| Total | <u>\$ 2,816,980</u> |

December 30, 2011

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Warren City School District
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards
December 30, 2011
Page 2

Compliance and Other Matters

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

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

Kea & Associates, Inc.

December 30, 2011

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

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

Compliance

We have audited the compliance of Warren City School District (the District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Rea & Associates, Inc.

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE | CFDA Number | Grant Number | Federal Receipts | Non-Cash Receipts | Federal Disbursements | Non-Cash Disbursements |
|--|----------------|-----------------|----------------------|----------------------|--------------------------|---------------------------|
| <u>U. S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| <i>Passed through Ohio Department of Education:</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 10.553 | 2011 | \$ 522,747 | | \$ 522,747 | |
| National School Lunch Program (B) | 10.555 | 2011 | 1,542,462 | \$ 152,131 | 1,542,462 | \$ 152,131 |
| Summer Food Service Program | 10.559 | 2011 | 256,462 | | 256,462 | |
| Total Child Nutrition Cluster (A) | | | <u>2,321,671</u> | <u>152,131</u> | <u>2,321,671</u> | <u>152,131</u> |
| Team Nutrition | 10.574 | 2011 | 2,000 | | 634 | |
| Food Service Equipment | 10.579 | 2011 | 63,820 | | 63,820 | |
| Fresh Fruit and Vegetables | 10.582 | 2011 | 53,675 | | 53,675 | |
| Total U.S. Department of Agriculture | | | <u>2,441,166</u> | <u>152,131</u> | <u>2,439,800</u> | <u>152,131</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| <i>Passed through Ohio Department of Education</i> | | | | | | |
| Title I Cluster: | | | | | | |
| Title I Grants to Local Education Agencies | 84.010 | 2010 | 690,300 | | 640,266 | |
| | 84.010 | 2011 | 2,217,312 | | 2,120,664 | |
| ARRA - Title I Grants to Local Education Agencies | 84.389 | 2010 | 4,341 | | 57,711 | |
| | 84.389 | 2011 | 1,305,838 | | 1,573,788 | |
| Total Title I Cluster | | | <u>4,217,791</u> | | <u>4,392,429</u> | |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States | 84.027 | 2010 | 261,732 | | 231,332 | |
| | | 2011 | 1,161,570 | | 1,059,635 | |
| ARRA-Special Education - Grants to States | 84.391 | 2010 | 61,580 | | 134,196 | |
| | | 2011 | 640,400 | | 634,044 | |
| Total Special Education Cluster | | | <u>2,125,282</u> | | <u>2,059,207</u> | |
| Safe and Drug-Free Schools - State Grants | 84.186 | 2010 | 0 | | 13,872 | |
| Educational Technology State Grants | 84.318 | 2010 | 0 | | 4,286 | |
| | | 2011 | 9,508 | | 8,492 | |
| Total Educational Technology State Grants | | | <u>9,508</u> | | <u>12,778</u> | |
| Improving Teacher Quality State Grant | 84.367 | 2010 | 93,143 | | 76,535 | |
| | | 2011 | 509,722 | | 473,410 | |
| Total Improving Teacher Quality | | | <u>602,865</u> | | <u>549,945</u> | |
| ARRA-State Fiscal Stabilization Fund | 84.394 | 2010 | 0 | | 612,936 | |
| | | 2011 | 3,371,352 | | 3,371,352 | |
| Total ARRA-State Fiscal Stabilization Fund | | | <u>3,371,352</u> | | <u>3,984,288</u> | |
| Fund for the Improvement of Education | 84.215 | 2011 | 28,302 | | 29,948 | |
| Total U.S. Department of Education | | | <u>10,355,100</u> | <u>0</u> | <u>11,042,467</u> | <u>0</u> |
| Total Federal Financial Assistance | | | <u>\$ 12,796,266</u> | <u>\$ 152,131</u> | <u>\$ 13,482,267</u> | <u>\$ 152,131</u> |

See notes to the Schedule of Expenditures of Federal Awards

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2011*

Note A - Child Nutrition Cluster

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

Note B – Food Donation Program

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

Note C - Transfers

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2011, the ODE authorized the following transfers:

| <u>CFDA Number</u> | <u>Program Title</u> | <u>Program Year</u> | <u>Transfers Out</u> | <u>Transfers In</u> |
|------------------------|--|-------------------------|--------------------------|-------------------------|
| 84.010 | Title I Grants to Local Educational Agencies | 2010 | \$ 2,467 | |
| 84.010 | Title I Grants to Local Educational Agencies | 2011 | | \$2,467 |
| 84.318 | Educational Technology State Grants | 2010 | 4,001 | |
| 84.318 | Educational Technology State Grants | 2011 | | 4,001 |
| 84.367 | Improving Teacher Quality | 2010 | 9,983 | |
| 84.367 | Improving Teacher Quality | 2011 | | 9,983 |
| 84.186 | Safe and Drug-Free Schools | 2010 | 14,761 | |
| 84.186 | Safe and Drug-Free Schools | 2011 | | 14,761 |
| 84.027 | Special Education - Grants to States | 2010 | 36,443 | |
| 84.027 | Special Education - Grants to States | 2011 | | 36,443 |
| 84.389 | ARRA - Title I | 2010 | 445,797 | |
| 84.389 | ARRA - Title I | 2011 | | 445,797 |

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

| | | |
|----------------|---|---|
| (d) (1) (i) | Type of Financial Statement Opinion | Unqualified |
| (d) (1) (ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d) (1) (ii) | Were there any other significant deficiencies reported at the financial statement level (GAGAS)? | No |
| (d) (1) (iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d) (1) (iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d) (1) (iv) | Were there any significant deficiencies reported for major programs which were not considered to be material? | No |
| (d) (1) (v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d) (1) (vi) | Are there any reportable findings under Section .510(a) of Circular A-133? | No |
| (d) (1) (vii) | Major Programs (list): Title I Cluster Special Education Cluster State Fiscal Stabilization Fund | CFDA # 84.010, 84.389 84.027,84.391 84.394 |
| (d) (1) (viii) | Dollar Threshold: Type A/B Programs | Type A: >\$409,032 Type B: All others |
| (d) (1) (ix) | Low Risk Auditee? | No |

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2011

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|-----------------------|---|-------------------------|---|
| 2010-001 | The District did not have adequate controls in place to ensure the allowability of payroll expenditures charged to a federal grant. | Yes | |

December 30, 2011

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

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Warren City School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on 4/12/2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

This page intentionally left blank.



Dave Yost • Auditor of State

WARREN CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2012