



Dave Yost • Auditor of State



**WARREN CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District, Trumbull County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District, Trumbull County, Ohio, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 6, 2015

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

The management's discussion and analysis of the Warren City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- In total, net position of governmental activities increased \$981,711 which represents a 0.77% increase from 2013.
- General revenues accounted for \$57,772,490 in revenue or 75.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$18,838,738 or 24.59% of total revenues of \$76,611,228.
- The District had \$75,629,517 in expenses related to governmental activities; \$18,838,738 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$57,772,490 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$62,417,915 in revenues and other financing sources, and \$60,550,520 in expenditures and other financing uses. During fiscal 2014, the general fund's fund balance increased \$1,867,395 from \$7,872,848 to \$9,740,243.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

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

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund 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 fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual 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 position 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 19-24 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 25-27 of this report.

***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 position and changes in fiduciary net position on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***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 31-64 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position for 2014 and 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 50,812,077	\$ 51,912,060
Capital assets, net	<u>132,161,205</u>	<u>132,837,797</u>
Total assets	<u>182,973,282</u>	<u>184,749,857</u>
<b><u>Deferred outflows</u></b>	<u>2,314,818</u>	<u>2,447,726</u>
<b><u>Liabilities</u></b>		
Current liabilities	7,668,532	9,141,773
Long-term liabilities	<u>36,518,959</u>	<u>38,152,984</u>
Total liabilities	<u>44,187,491</u>	<u>47,294,757</u>
<b><u>Deferred inflows</u></b>	<u>13,363,131</u>	<u>13,147,059</u>
<b><u>Net position</u></b>		
Net investment in capital assets	101,117,787	99,817,879
Restricted	10,957,721	13,997,944
Unrestricted	<u>15,661,970</u>	<u>12,939,944</u>
Total net position	<u>\$ 127,737,478</u>	<u>\$ 126,755,767</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's net position was \$127,737,478. Of this total, \$15,661,970 is unrestricted in use.

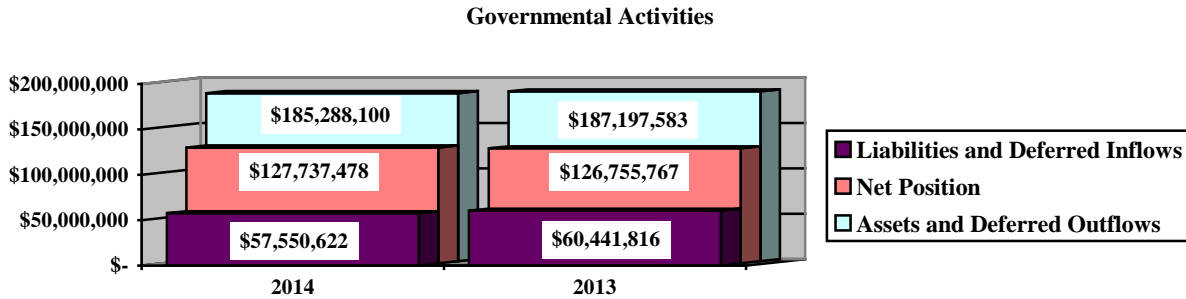
At year-end, capital assets represented 71.33% of total assets and deferred outflows. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014 was \$101,117,787. These capital assets 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

A portion of the District's net position, \$10,957,721, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$15,661,970 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2014 and 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities 2014	Governmental Activities 2013
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,242,513	\$ 2,130,584
Operating grants and contributions	16,596,225	16,612,047
General revenues:		
Property taxes	13,751,093	13,273,648
Grants and entitlements	43,329,478	40,724,321
Investment earnings	359,723	372,496
Decrease in fair market value of investments	-	(373,722)
Miscellaneous	332,196	115,251
Total revenues	<u>76,611,228</u>	<u>72,854,625</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

	<b>Change in Net Position (Continued)</b>	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 30,422,823	\$ 28,988,384
Special	11,419,981	9,935,105
Vocational	230,241	137,593
Other	460,767	2,726,946
Support services:		
Pupil	6,673,562	3,711,520
Instructional staff	1,306,855	6,090,975
Board of education	30,222	30,264
Administration	5,168,511	5,688,182
Fiscal	1,124,105	1,157,539
Business	743,063	703,174
Operations and maintenance	7,448,968	7,778,321
Pupil transportation	2,739,017	2,934,583
Central	1,254,081	1,299,250
Operations of non-instructional services:		
Food service operations	3,678,800	3,583,916
Other non-instructional services	341,107	350,267
Extracurricular activities	1,298,355	1,262,693
Interest and fiscal charges	1,289,059	1,650,399
Total expenses	<u>75,629,517</u>	<u>78,029,111</u>
Special item	<u>-</u>	<u>(6,003,193)</u>
Change in net position	981,711	(11,177,679)
Net position at beginning of year	<u>126,755,767</u>	<u>137,933,446</u>
Net position at end of year	<u>\$ 127,737,478</u>	<u>\$ 126,755,767</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$981,711. Total governmental expenses of \$75,629,517 were offset by program revenues of \$18,838,738 and general revenues of \$57,772,490. Program revenues supported 24.91% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 74.51% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

Unrestricted grants and entitlements increased by approximately \$2.6 million from the prior fiscal year due to increased intergovernmental aid from the State of Ohio's School Foundation program.

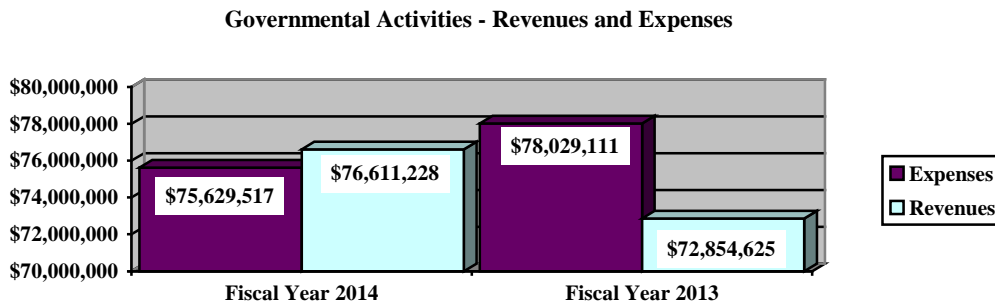
Expenses decreased approximately \$2.4 million from fiscal year 2013. The overall decrease in expenses was 3.08%. The District has had a number of older staff retire over the past several years. Less experienced staff replaced the older employees, which has resulted in a decrease in salary and benefit costs.

Several line items showed a significant decrease or increase during fiscal year 2014. This is mainly due to the District coding certain functions differently than in previous years.

The District had a \$6,003,193 special item loss in fiscal year 2013. This loss was incurred during the close out process of the construction project. The scope of the construction project was decreased from the original budget due to declining enrollment of the District. This resulted in unused funds at the end of the project, which were returned to the State.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$42,533,812 or 56.24% of total governmental expenses for fiscal 2014.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
<b>Governmental Activities</b>				
<b>Program expenses</b>				
Instruction:				
Regular	\$ 30,422,823	\$ 29,539,124	\$ 28,988,384	\$ 28,182,879
Special	11,419,981	2,033,631	9,935,105	1,647,162
Vocational	230,241	79,722	137,593	(76,521)
Other	460,767	446,468	2,726,946	2,694,211
Support services:				
Pupil	6,673,562	4,098,303	3,711,520	3,490,201
Instructional staff	1,306,855	731,243	6,090,975	2,495,181
Board of education	30,222	30,222	30,264	30,264
Administration	5,168,511	4,844,724	5,688,182	5,447,580
Fiscal	1,124,105	794,989	1,157,539	860,658
Business	743,063	743,063	703,174	703,174
Operations and maintenance	7,448,968	7,432,662	7,778,321	7,709,016
Pupil transportation	2,739,017	2,276,648	2,934,583	2,476,205
Central	1,254,081	1,245,081	1,299,250	1,299,250
Operations of non-instructional services:				
Food service operations	3,678,800	343,990	3,583,916	(250,302)
Other non-instructional services	341,107	(19,346)	350,267	(4,738)
Extracurricular activities	1,298,355	881,196	1,262,693	931,861
Interest and fiscal charges	<u>1,289,059</u>	<u>1,289,059</u>	<u>1,650,399</u>	<u>1,650,399</u>
Total expenses	<u>\$ 75,629,517</u>	<u>\$ 56,790,779</u>	<u>\$ 78,029,111</u>	<u>\$ 59,286,480</u>

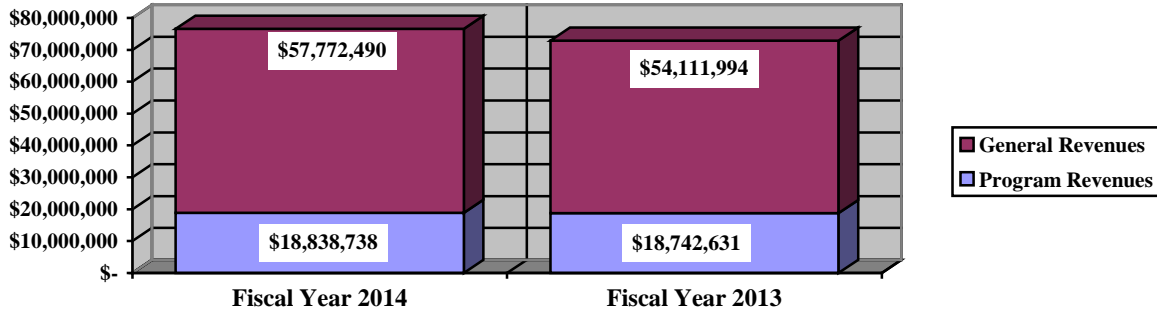
The dependence upon tax and other general revenues for governmental activities is apparent, as 75.47% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.09%. The District's taxpayers and unrestricted grants 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, 2014  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$20,299,867, which is less than last year's total of \$20,441,887. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)	Percentage Change
<b>Major funds:</b>				
General	\$ 9,740,243	\$ 7,872,848	\$ 1,867,395	23.72 %
Other governmental	<u>10,559,624</u>	<u>12,569,039</u>	<u>(2,009,415)</u>	(15.99) %
Total	<u>\$ 20,299,867</u>	<u>\$ 20,441,887</u>	<u>\$ (142,020)</u>	(0.69) %

**General Fund**

The District's general fund balance increased as revenues increased and expenditures decreased compared to the prior fiscal year. The most significant change in revenues was intergovernmental revenue, which increased approximately \$3.24 million due to increased School Foundation funding from the State.

Instructional expenditures increased 1.76% over the prior fiscal year. Support services expenditures decreased 5.83%. This is primarily due to cuts made in pupil and instructional staff support services.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

	2014 <u>Amount</u>	2013 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 11,596,504	\$ 11,276,233	\$ 320,271	2.84 %
Tuition	1,244,748	1,210,512	34,236	2.83 %
Earnings on investments	350,578	247,506	103,072	41.64 %
Intergovernmental	48,561,373	45,325,499	3,235,874	7.14 %
Other revenues	<u>613,880</u>	<u>142,131</u>	<u>471,749</u>	331.91 %
 Total	 <u>\$ 62,367,083</u>	 <u>\$ 58,201,881</u>	 <u>\$ 4,165,202</u>	 7.16 %
<b><u>Expenditures</u></b>				
Instruction	\$ 38,128,446	\$ 37,468,515	\$ 659,931	1.76 %
Support services	21,392,132	22,716,697	(1,324,565)	(5.83) %
Non-instructional services	12,112	1,260	10,852	861.27 %
Extracurricular activities	948,935	897,735	51,200	5.70 %
Facilities acquisition and construction	<u>24,895</u>	<u>15,000</u>	<u>9,895</u>	65.97 %
 Total	 <u>\$ 60,506,520</u>	 <u>\$ 61,099,207</u>	 <u>\$ (592,687)</u>	 (0.97) %

***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 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and financing sources were \$60,944,443 and final budgeted revenues and other financing sources were \$64,793,695. The majority of the increase in estimated revenues was due to an underestimation of state intergovernmental revenue. Actual revenues and other financing sources for fiscal 2014 were \$62,330,219. This represents a \$2,463,476 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$64,595,630 were decreased to \$64,268,294 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$62,677,057 which was \$1,591,237 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2014, the District had \$132,161,205 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to 2013:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

	Governmental Activities	
	2014	2013
Land	\$ 7,875,888	\$ 7,875,888
Construction in progress	-	1,808,928
Land improvements	1,115,989	1,162,974
Building and improvements	121,550,362	120,633,943
Furniture and equipment	1,434,963	1,128,493
Vehicles	184,003	227,571
Total	\$ 132,161,205	\$ 132,837,797

The overall decrease in capital assets of \$676,592 is due to depreciation expense of \$2,996,903 exceeding capital outlays of \$2,320,311.

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

***Debt Administration***

At June 30, 2014, the District had \$30,710,464 in general obligation bonds, \$481,250 in tax anticipation notes and a \$92,259 lease purchase agreement outstanding. Of this total, \$1,358,584 is due within one year and \$29,925,389 is due in greater than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 30,710,464	\$ 31,857,878
Tax anticipation notes	481,250	568,750
Lease purchase agreement	92,259	127,288
Total	\$ 31,283,973	\$ 32,553,916

At June 30, 2014, the District had a voted debt margin of \$234,190 and an unvoted debt margin of \$327,791.

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

**Current Related Financial Activities**

Overall, the District remains financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. The anticipated State funding revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2015. However, the future financial stability of the District is not without challenges.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2017 (based upon the most recent 5 Year Forecast). 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 voters renewed an emergency levy in the November 5, 2013 election. The District projects that additional revenue would not be required until fiscal year 2017. In recent fiscal years the Board and Administration have carefully managed the budget to minimize the size of an additional request from the community. The District will continue to monitor and cut costs where possible to further decrease the request.

The District is currently operating in the new buildings provided for in the recently completed Ohio Facilities Construction Commission (OFCC) Project. The project provides new school buildings for every student in the District. The local community passed a Bond Issue in November 2003 to provide the Local Share of the Project and the funds for Locally Funded Initiatives to further enhance the project. The OFCC project officially closed during fiscal year 2013.

**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.

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 30,185,067
Receivables:	
Taxes . . . . .	18,417,902
Accounts . . . . .	9,257
Intergovernmental . . . . .	2,003,203
Accrued interest . . . . .	59,056
Materials and supplies inventory . . . . .	137,592
Capital assets:	
Nondepreciable capital assets . . . . .	7,875,888
Depreciable capital assets, net . . . . .	124,285,317
Capital assets, net . . . . .	132,161,205
Total assets . . . . .	182,973,282
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding	2,314,818
 <b>Liabilities:</b>	
Accounts payable . . . . .	878,933
Accrued wages and benefits . . . . .	4,769,647
Pension obligation payable . . . . .	990,822
Intergovernmental payable . . . . .	373,249
Accrued interest payable . . . . .	96,881
Claims payable . . . . .	559,000
Long-term liabilities:	
Due within one year . . . . .	2,015,040
Due in more than one year . . . . .	34,503,919
Total liabilities . . . . .	44,187,491
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . .	13,363,131
 <b>Net position:</b>	
Net investment in capital assets . . . . .	101,117,787
Restricted for:	
Capital projects . . . . .	4,560,737
Classroom facilities maintenance . . . . .	2,747,965
Debt service . . . . .	1,687,606
State funded programs . . . . .	154,889
Federally funded programs . . . . .	93,086
Food service operations . . . . .	1,652,328
Student activities . . . . .	34,683
Other purposes . . . . .	26,427
Unrestricted . . . . .	15,661,970
Total net position . . . . .	\$ 127,737,478

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, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 30,422,823	\$ 861,064	\$ 22,635	\$ (29,539,124)
Special . . . . .	11,419,981	383,684	9,002,666	(2,033,631)
Vocational . . . . .	230,241	-	150,519	(79,722)
Other . . . . .	460,767	14,299	-	(446,468)
Support services:				
Pupil. . . . .	6,673,562	26,100	2,549,159	(4,098,303)
Instructional staff . . . . .	1,306,855	-	575,612	(731,243)
Board of education . . . . .	30,222	-	-	(30,222)
Administration. . . . .	5,168,511	-	323,787	(4,844,724)
Fiscal. . . . .	1,124,105	202,666	126,450	(794,989)
Business. . . . .	743,063	-	-	(743,063)
Operations and maintenance . . . . .	7,448,968	10,421	5,885	(7,432,662)
Pupil transportation . . . . .	2,739,017	79,021	383,348	(2,276,648)
Central . . . . .	1,254,081	-	9,000	(1,245,081)
Operation of non-instructional services:				
Food service operations . . . . .	3,678,800	262,545	3,072,265	(343,990)
Other non-instructional services . . . . .	341,107	4,185	356,268	19,346
Extracurricular activities . . . . .	1,298,355	398,528	18,631	(881,196)
Interest and fiscal charges . . . . .	1,289,059	-	-	(1,289,059)
<b>Total governmental activities . . . . .</b>	<b>\$ 75,629,517</b>	<b>\$ 2,242,513</b>	<b>\$ 16,596,225</b>	<b>(56,790,779)</b>
<b>General revenues:</b>				
Property taxes levied for:				
				11,732,115
				139,504
				1,739,861
				139,613
Grants and entitlements not restricted				
				43,329,478
				359,723
				332,196
				<u>57,772,490</u>
				981,711
				<u>126,755,767</u>
				<u>\$ 127,737,478</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and investments. . . . .	\$ 15,495,496	\$ 10,369,178	\$ 25,864,674
<b>Receivables:</b>			
Taxes. . . . .	15,701,690	2,716,212	18,417,902
Accounts . . . . .	8,785	432	9,217
Intergovernmental. . . . .	573,556	1,429,647	2,003,203
Accrued interest . . . . .	59,056	-	59,056
Due from other funds . . . . .	102,387	-	102,387
Materials and supplies inventory. . . . .	-	137,592	137,592
<b>Total assets . . . . .</b>	<u><u>\$ 31,940,970</u></u>	<u><u>\$ 14,653,061</u></u>	<u><u>\$ 46,594,031</u></u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 696,903	\$ 181,997	\$ 878,900
Accrued wages and benefits. . . . .	4,024,788	744,859	4,769,647
Compensated absences payable . . . . .	276,255	22,057	298,312
Pension obligation payable . . . . .	783,440	207,382	990,822
Intergovernmental payable . . . . .	334,129	39,120	373,249
Due to other funds . . . . .	-	102,387	102,387
<b>Total liabilities. . . . .</b>	<u><u>6,115,515</u></u>	<u><u>1,297,802</u></u>	<u><u>7,413,317</u></u>
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	11,392,380	1,970,751	13,363,131
Delinquent property tax revenue not available. . . . .	4,190,224	724,861	4,915,085
Accrued interest not available. . . . .	44,351	-	44,351
Other nonexchange transactions not available. . . . .	-	100,023	100,023
Miscellaneous revenue not available. . . . .	458,257	-	458,257
<b>Total deferred inflows of resources . . . . .</b>	<u><u>16,085,212</u></u>	<u><u>2,795,635</u></u>	<u><u>18,880,847</u></u>
<b>Fund balances:</b>			
Nonspendable. . . . .	-	137,592	137,592
Restricted. . . . .	-	10,432,275	10,432,275
Committed. . . . .	555,445	-	555,445
Assigned. . . . .	1,404,931	-	1,404,931
Unassigned (deficit) . . . . .	7,779,867	(10,243)	7,769,624
<b>Total fund balances . . . . .</b>	<u><u>9,740,243</u></u>	<u><u>10,559,624</u></u>	<u><u>20,299,867</u></u>
<b>Total liabilities, deferred inflows and fund balances . . . . .</b>	<u><u>\$ 31,940,970</u></u>	<u><u>\$ 14,653,061</u></u>	<u><u>\$ 46,594,031</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$ 20,299,867
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		132,161,205
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 4,915,085	
Intergovernmental receivable	558,280	
Accrued interest receivable	44,351	
Total	5,517,716	5,517,716
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 position.		3,761,400
Unamortized premiums are not recognized in the funds.		(2,219,727)
Unamortized amounts on refundings are not recognized in the funds.		2,314,818
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(96,881)
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	(30,710,464)	
Tax anticipation note	(481,250)	
Lease purchase agreement	(92,259)	
Compensated absences	(2,716,947)	
Total	(34,000,920)	(34,000,920)
<b>Net position of governmental activities</b>		<b>\$ 127,737,478</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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**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, 2014

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 11,596,504	\$ 1,996,614	\$ 13,593,118
Tuition. . . . .	1,244,748	-	1,244,748
Transportation fees. . . . .	79,021	-	79,021
Earnings on investments . . . . .	350,578	17,290	367,868
Charges for services . . . . .	-	260,714	260,714
Extracurricular. . . . .	-	207,140	207,140
Classroom materials and fees . . . . .	14,299	-	14,299
Other local revenues . . . . .	520,560	149,153	669,713
Intergovernmental - state . . . . .	48,320,309	1,596,394	49,916,703
Intergovernmental - federal . . . . .	241,064	10,011,152	10,252,216
Total revenues . . . . .	<u>62,367,083</u>	<u>14,238,457</u>	<u>76,605,540</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular. . . . .	29,668,616	19,790	29,688,406
Special . . . . .	7,786,225	3,222,227	11,008,452
Vocational . . . . .	218,025	-	218,025
Other . . . . .	455,580	-	455,580
Support services:			
Pupil . . . . .	3,773,668	2,577,635	6,351,303
Instructional staff . . . . .	794,264	556,230	1,350,494
Board of education . . . . .	30,222	-	30,222
Administration . . . . .	4,637,767	316,483	4,954,250
Fiscal . . . . .	926,216	175,803	1,102,019
Business. . . . .	728,366	-	728,366
Operations and maintenance . . . . .	6,887,389	299,775	7,187,164
Pupil transportation . . . . .	2,398,020	240,669	2,638,689
Central . . . . .	1,216,220	-	1,216,220
Operation of non-instructional services:			
Food service operations. . . . .	-	3,589,090	3,589,090
Other non-instructional services. . . . .	12,112	331,746	343,858
Extracurricular activities . . . . .	948,935	296,689	1,245,624
Facilities acquisition and construction. . . . .	24,895	2,087,849	2,112,744
Debt service:			
Principal retirement. . . . .	-	1,352,529	1,352,529
Interest and fiscal charges . . . . .	-	1,217,845	1,217,845
Total expenditures . . . . .	<u>60,506,520</u>	<u>16,284,360</u>	<u>76,790,880</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>\$ 1,860,563</u>	<u>\$ (2,045,903)</u>	<u>\$ (185,340)</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
'''

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets . . . . .	\$ 4,532	\$ -	\$ 4,532
Transfers in. . . . .	-	44,000	44,000
Transfers (out) . . . . .	(44,000)	-	(44,000)
Insurance recoveries . . . . .	46,300	-	46,300
Total other financing sources (uses) . . . . .	<u>6,832</u>	<u>44,000</u>	<u>50,832</u>
 Net change in fund balances . . . . .	 1,867,395	 (2,001,903)	 (134,508)
 <b>Fund balances at beginning of year. . . . .</b>	 7,872,848	 12,569,039	 20,441,887
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>(7,512)</b>	<b>(7,512)</b>
<b>Fund balances at end of year. . . . .</b>	<u><u>\$ 9,740,243</u></u>	<u><u>\$ 10,559,624</u></u>	<u><u>\$ 20,299,867</u></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, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	(134,508)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 2,320,311	
Current year depreciation	<u>(2,996,903)</u>	
Total		(676,592)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(7,512)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	157,975	
Interest revenue	9,105	
Intergovernmental revenue	<u>(212,224)</u>	
Total		(45,144)
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 position.		
		1,352,529
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,040	
Accreted interest on capital appreciation bonds	(82,586)	
Amortization of bond premiums	140,240	
Amortization of deferred charges	<u>(132,908)</u>	
Total		(71,214)
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.		
		103,693
The internal service funds used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net income of the internal service funds is allocated among the governmental activities.		
		<u>460,459</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>981,711</u></b>

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, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 10,883,601	\$ 11,571,009	\$ 11,571,006	\$ (3)
Tuition. . . . .	1,229,401	1,307,050	1,244,588	(62,462)
Transportation fees. . . . .	66,594	70,800	75,221	4,421
Earnings on investments . . . . .	277,193	294,700	336,220	41,520
Other local revenues . . . . .	176,267	187,400	155,683	(31,717)
Intergovernmental - state . . . . .	47,518,354	50,519,614	48,205,010	(2,314,604)
Intergovernmental - federal . . . . .	306,465	325,822	241,064	(84,758)
Total revenues . . . . .	<u>60,457,875</u>	<u>64,276,395</u>	<u>61,828,792</u>	<u>(2,447,603)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	30,577,636	30,422,685	30,144,078	278,607
Special. . . . .	8,002,653	7,962,100	7,816,896	145,204
Vocational. . . . .	215,645	214,552	211,753	2,799
Other. . . . .	717,791	714,154	582,401	131,753
Support services:				
Pupil. . . . .	4,103,349	4,082,555	3,926,066	156,489
Instructional staff . . . . .	916,835	912,189	886,335	25,854
Board of education . . . . .	41,253	41,044	34,660	6,384
Administration. . . . .	5,096,677	5,070,850	4,947,836	123,014
Fiscal . . . . .	967,066	962,165	950,107	12,058
Business . . . . .	843,410	839,136	766,192	72,944
Operations and maintenance. . . . .	8,225,070	8,183,390	7,730,244	453,146
Pupil transportation . . . . .	2,601,693	2,588,509	2,488,589	99,920
Central. . . . .	1,299,085	1,292,502	1,266,705	25,797
Extracurricular activities. . . . .	869,901	865,493	841,845	23,648
Total expenditures . . . . .	<u>64,478,064</u>	<u>64,151,324</u>	<u>62,593,707</u>	<u>1,557,617</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(4,020,189)</u>	<u>125,071</u>	<u>(764,915)</u>	<u>(889,986)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	424,207	451,000	450,595	(405)
Refund of prior year's receipts. . . . .	(5,025)	(5,000)	-	5,000
Transfers (out). . . . .	(112,540)	(111,970)	(83,350)	28,620
Insurance recoveries. . . . .	43,549	46,300	46,300	-
Sale of capital assets . . . . .	18,812	20,000	4,532	(15,468)
Total other financing sources (uses) . . . . .	<u>369,003</u>	<u>400,330</u>	<u>418,077</u>	<u>17,747</u>
Net change in fund balance . . . . .	(3,651,186)	525,401	(346,838)	(872,239)
<b>Fund balance at beginning of year . . . . .</b>	11,571,711	11,571,711	11,571,711	-
<b>Prior year encumbrances appropriated . .</b>	1,816,692	1,816,692	1,816,692	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 9,737,217</u>	<u>\$ 13,913,804</u>	<u>\$ 13,041,565</u>	<u>\$ (872,239)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 4,320,393
Receivables:	
Accounts . . . . .	<u>40</u>
Total assets. . . . .	<u>4,320,433</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	33
Claims payable . . . . .	<u>559,000</u>
Total liabilities . . . . .	<u>559,033</u>
<b>Net position:</b>	
Unrestricted. . . . .	<u>3,761,400</u>
Total net position. . . . .	<u><u>\$ 3,761,400</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 POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 7,662,367
Other . . . . .	2,254
Total operating revenues . . . . .	<u>7,664,621</u>
 <b>Operating expenses:</b>	
Personal services . . . . .	3,934
Purchased services . . . . .	7,787
Claims . . . . .	7,192,441
Total operating expenses . . . . .	<u>7,204,162</u>
 Operating income . . . . .	 <u>460,459</u>
 Change in net position . . . . .	 460,459
 <b>Net position at beginning of year . . . . .</b>	 <u>3,300,941</u>
 <b>Net position at end of year . . . . .</b>	 <u>\$ 3,761,400</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, 2014

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services. . . . .	\$ 7,662,357
Cash received from other operations . . . . .	2,254
Cash payments for personal services. . . . .	(3,934)
Cash payments for purchased services . . . . .	(7,754)
Cash payments for claims . . . . .	<u>(7,624,041)</u>
 Net cash provided by operating activities . . . . .	 <u>28,882</u>
 Net increase in cash and investments . . . . .	 28,882
 <b>Cash and investments at beginning of year . . .</b>	 <u>4,291,511</u>
<b>Cash and investments at end of year . . . . .</b>	<b><u><u>\$ 4,320,393</u></u></b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 460,459
Changes in assets and liabilities:	
(Increase) in accounts receivable. . . . .	(10)
Increase in accounts payable . . . . .	33
(Decrease) in claims payable . . . . .	<u>(431,600)</u>
 Net cash provided by operating activities. . . . .	 <u><u>\$ 28,882</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 29,759	\$ 31,975
Total assets. . . . .	29,759	\$ 31,975
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 58
Due to students. . . . .	-	31,917
Total liabilities . . . . .	-	\$ 31,975
<b>Net position:</b>		
Held in trust for scholarships . . . . .	29,759	
Total net position. . . . .	\$ 29,759	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 303
Change in net position . . . . .	303
<b>Net position at beginning of year. . . . .</b>	<b>29,456</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 29,759</b>

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, 2014

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District employs 300 non-certified and 466 certified employees to provide services to approximately 5,258 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's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 19 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 2013. 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, 2014

**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, deferred outflows and liabilities and deferred inflows is reported as fund balance. The following is the District's major governmental fund:

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

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, 2014

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net position and changes in net position. 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 position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service funds operating activities are eliminated to avoid overstatement of revenues and expenses.

The statement of net position 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, deferred outflows, liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. 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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's internal service funds are charges for services. Operating expenses for internal service funds include the cost of services, administrative expenses and claims 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. 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, 2014

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the grant's timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

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 2014 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

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 2014.
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.)

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 2014, investments were limited to federal agency securities, U.S. government money market mutual funds, negotiable CDs, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

The District has invested funds in STAR Ohio during fiscal year 2014. 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, 2014.

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 2014 amounted to \$350,578, which includes \$191,204 assigned from other District funds.

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 expended 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 position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 - 50 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**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 position.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, 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, 2014 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

**M. 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 Position**

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

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

**O. Bond Premium and Discount/Deferred Charge on Refunding**

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**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 2014, the District had no extraordinary or special items.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 10,170
Race to the top	73

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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, 2014

**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 \$5,220 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$4,825,098. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$1,776,903 of the District's bank balance of \$5,036,188 was exposed to custodial risk as discussed below, while \$3,259,285 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
FHLB	\$ 2,863,824	\$ -	\$ -	\$ -	\$ -	\$ 2,863,824
FAMC	2,591,954	-	-	-	-	2,591,954
FHLMC	2,615,912	-	-	-	-	2,615,912
FNMA	7,056,559	-	-	-	-	7,056,559
FFCB	497,095	-	-	-	-	497,095
PEFCO	973,918	-	-	-	-	973,918
Negotiable CDs	8,537,557	-	-	495,633	503,878	7,538,046
U.S. Government money market mutual funds	173,346	173,346	-	-	-	-
STAR Ohio	106,318	106,318	-	-	-	-
	<u>\$ 25,416,483</u>	<u>\$ 279,664</u>	<u>\$ -</u>	<u>\$ 495,633</u>	<u>\$ 503,878</u>	<u>\$ 24,137,308</u>

The weighted average maturity of investments is 3.15 years.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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, 2014:

<u>Investment type</u>	<u>Fair value</u>	<u>% of Total</u>
FHLB	\$ 2,863,824	11.27
FAMC	2,591,954	10.20
FHLMC	2,615,912	10.29
FNMA	7,056,559	27.76
FFCB	497,095	1.96
PEFCO	973,918	3.83
Negotiable CDs	8,537,557	33.59
U.S. Government money market mutual funds	173,346	0.68
STAR Ohio	106,318	0.42
	<u>\$ 25,416,483</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,825,098
Investments	25,416,483
Cash on hand	5,220
Total	<u>\$ 30,246,801</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 30,185,067
Private-purpose trust fund	29,759
Agency fund	31,975
Total	<u>\$ 30,246,801</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances consisted of the following due to/from other funds at June 30, 2014, as reported on the fund statements:

	<u>Amount</u>
<u>Due to the general fund from:</u>	
Nonmajor governmental funds	\$ 102,387

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in the Title I School Improvement Part A fund, the Title I fund and Miscellaneous Federal Grants fund, all nonmajor governmental funds. These negative cash balances are allowable under Ohio Revised Code Section 3315.20. The interfund balance will be repaid once the anticipated revenues are received. There are also amounts due to 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, 2014, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 44,000

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

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$119,086 in the general fund, \$17,896 in the debt service fund, a nonmajor governmental fund, \$1,352 in the permanent improvement fund, a nonmajor governmental fund, and \$1,352 in the classroom facilities maintenance fund, a nonmajor governmental fund. These amounts are recorded as revenue. The amount available for advance at June 30, 2013 was \$93,588 in the general fund, \$14,373 in the debt service fund, a nonmajor governmental fund, \$920 in the permanent improvement fund, a nonmajor governmental fund, and \$922 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, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 309,225,330	93.88	\$ 305,807,270	93.29
Public utility personal	<u>20,185,730</u>	<u>6.12</u>	<u>21,983,490</u>	<u>6.71</u>
Total	<u>\$ 329,411,060</u>	<u>100.00</u>	<u>\$ 327,790,760</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 62.10		\$ 62.20	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2014 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 position follows:

**Governmental activities:**

Taxes	\$ 18,417,902
Accounts	9,257
Intergovernmental	2,003,203
Accrued interest	<u>59,056</u>
Total	<u>\$ 20,489,418</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/14</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 7,875,888	\$ -	\$ -	\$ 7,875,888
Construction in progress	1,808,928	1,826,335	(3,635,263)	-
Total capital assets, not being depreciated	<u>9,684,816</u>	<u>1,826,335</u>	<u>(3,635,263)</u>	<u>7,875,888</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,373,227	5,000	-	1,378,227
Buildings and improvements	132,505,224	3,635,263	-	136,140,487
Furniture and equipment	2,103,871	467,292	-	2,571,163
Vehicles	2,101,064	21,684	-	2,122,748
Total capital assets, being depreciated	<u>138,083,386</u>	<u>4,129,239</u>	<u>-</u>	<u>142,212,625</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(210,253)	(51,985)	-	(262,238)
Buildings and improvements	(11,871,281)	(2,718,844)	-	(14,590,125)
Furniture and equipment	(975,378)	(160,822)	-	(1,136,200)
Vehicles	(1,873,493)	(65,252)	-	(1,938,745)
Total accumulated depreciation	<u>(14,930,405)</u>	<u>(2,996,903)</u>	<u>-</u>	<u>(17,927,308)</u>
Governmental activities capital assets, net	<u>\$ 132,837,797</u>	<u>\$ 2,958,671</u>	<u>\$ (3,635,263)</u>	<u>\$ 132,161,205</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,122,556
Special	515,085
Vocational	13,494
Other	5,187
<u>Support services:</u>	
Pupil	296,566
Instructional staff	72,504
Administration	271,413
Fiscal	25,611
Business	19,602
Operations and maintenance	286,641
Pupil transportation	105,812
Central	46,750
Food service operations	123,023
Extracurricular activities	<u>92,659</u>
Total depreciation expense	<u>\$ 2,996,903</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

The general capital assets acquired by this capital lease have been capitalized in the governmental activities on the statement of net position in the amount of \$166,540. Accumulated depreciation as of June 30, 2014 was \$10,635, leaving a current book value of \$155,905. A corresponding liability has been recorded in the governmental activities on the statement of net position.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following is a schedule of the future long-term minimum lease payments required under the lease purchase agreement and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 38,575
2016	38,575
2017	<u>19,288</u>
Total minimum lease payments	96,438
Less: amount representing interest	<u>(4,179)</u>
Total	<u>\$ 92,259</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
<u>General obligation bonds:</u>					
2004 general obligation bonds	\$ 1,070,000	\$ -	\$ (1,070,000)	\$ -	\$ -
2012 advance refunding bonds					
Current interest bonds	30,430,000	-	(160,000)	30,270,000	1,235,000
Capital appreciation bonds	295,000	-	-	295,000	-
Accreted interest	<u>62,878</u>	<u>82,586</u>	<u>-</u>	<u>145,464</u>	<u>-</u>
Total general obligation bonds	<u>31,857,878</u>	<u>82,586</u>	<u>(1,230,000)</u>	<u>30,710,464</u>	<u>1,235,000</u>
<u>Other long-term obligations:</u>					
Tax anticipation note	568,750	-	(87,500)	481,250	87,500
Lease purchase agreement	127,288	-	(35,029)	92,259	36,084
Compensated absences	<u>3,239,101</u>	<u>590,969</u>	<u>(814,811)</u>	<u>3,015,259</u>	<u>656,456</u>
Total governmental activities long-term liabilities	<u>\$ 35,793,017</u>	<u>\$ 673,555</u>	<u>\$ (2,167,340)</u>	34,299,232	<u>\$ 2,015,040</u>
				<u>2,219,727</u>	
				<u>\$ 36,518,959</u>	



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

- B.** During fiscal 2004, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a facilities grant from the Ohio Facilities Construction Commission (OFCC). 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 OFCC.

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%.

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

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 was December 1, 2013.

- C.** On June 28, 2012, the District issued general obligation bonds (series 2012 advance refunding bonds) to advance refund the callable portion of the series 2004 general obligation bonds. The issuance proceeds of \$33,048,365 and a \$750,000 contribution from the District's debt service fund, a nonmajor governmental fund, were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The principal balance outstanding of the defeased bonds was \$30,905,000 at June 30, 2014.

The refunding issue is comprised of both current interest bonds, par value \$30,430,000, and capital appreciation bonds, par value \$295,000. The interest rate on the current interest bonds ranges from 2.00-4.00%. The capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield to maturity 2.27%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,380,000. The bonds will be retired through the debt service fund, a nonmajor governmental fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$2,580,635. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

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

The following is a summary of the future debt service requirements to maturity for the 2013 series advance refunding bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 1,235,000	\$ 1,150,431	\$ 2,385,431	\$ -	\$ -	\$ -
2016	1,305,000	1,099,631	2,404,631	-	-	-
2017	1,320,000	1,047,131	2,367,131	-	-	-
2018	1,340,000	999,619	2,339,619	-	-	-
2019	1,480,000	948,906	2,428,906	-	-	-
2020 - 2024	5,760,000	4,147,932	9,907,932	295,000	1,085,000	1,380,000
2025 - 2029	10,195,000	2,484,725	12,679,725	-	-	-
2030 - 2032	7,635,000	446,435	8,081,435	-	-	-
<b>Total</b>	<b>\$ 30,270,000</b>	<b>\$ 12,324,810</b>	<b>\$ 42,594,810</b>	<b>\$ 295,000</b>	<b>\$ 1,085,000</b>	<b>\$ 1,380,000</b>

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

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
2015	\$ 87,500	\$ 19,304	106,804
2016	87,500	19,523	107,023
2017	87,500	14,930	102,430
2018	87,500	10,336	97,836
2019	87,500	5,742	93,242
2020	43,750	1,148	44,898
<b>Total</b>	<b>\$ 481,250</b>	<b>\$ 70,983</b>	<b>\$ 552,233</b>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$234,190 (including available funds of \$1,298,022) and an unvoted debt margin of \$327,791.

**NOTE 11 - COMPENSATED ABSENCES**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - RISK MANAGEMENT**

**A. General Risk**

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2013.

**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 \$559,000 at June 30, 2014.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 12 - 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>
2014	\$ 990,600	\$ 7,192,441	\$ (7,624,041)	\$ 559,000
2013	751,564	8,071,550	(7,832,514)	990,600

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 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, 2014, 2013 and 2012 were \$1,117,856, \$1,155,786 and \$1,177,431, respectively; 81.85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**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](http://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, 2014**

**NOTE 13 - 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 2014, plan members were required to contribute 11 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 14 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, 2014, 2013 and 2012 were \$3,438,127, \$3,688,787 and \$3,929,104, respectively; 84.08 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$103,728 made by the District and \$81,500 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, 2014 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, 2014

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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, 2014, 2013 and 2012 were \$171,193, \$158,696 and \$193,879, respectively; 81.85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, 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, 2014, 2013, and 2012 were \$64,853, \$65,289 and \$69,533, respectively; 81.85 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 14 - 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](http://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 2014, 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, 2014, 2013 and 2012 were \$264,471, \$283,753 and \$302,239, respectively; 84.08 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) 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, 2014

**NOTE 15 - 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	\$ (346,838)
Net adjustment for revenue accruals	298,411
Net adjustment for expenditure accruals	599,660
Net adjustment for other sources/uses	(450,595)
Funds budgeted elsewhere	40,370
Adjustment for encumbrances	1,726,387
GAAP basis	\$ 1,867,395

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2014.

**B. Litigation**

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

**C. RG Steel Warren, LLC**

RG Steel Warren, LLC ("RG") filed a mandamus action against Trumbull County demanding a tax refund of sums RG claimed were owed to it. As the District would bear the financial brunt of any tax refund claim, the District intervened in the mandamus action and set up defenses as to why the refunded was not owed.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 16 – CONTINGENCIES - (Continued)**

The full amount of the claimed tax refund is believed to be approximately \$3,000,000. The District would be assessed about one-half of any possible tax refund, as it is the largest school district in Trumbull County.

No liability is recorded on the financial statements because the amount or range of potential loss in the event of an unfavorable outcome cannot be accurately estimated.

**NOTE 17 - SET-ASIDES**

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

During fiscal year 2004, the District issued \$38,000,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$38,000,000 at June 30, 2014.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	892,583
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,438,483)
Excess qualified expenditures from prior years	-
Current year offsets	(644,380)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (1,190,280)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ -	\$ 137,592	\$ 137,592
Total nonspendable	<u>-</u>	<u>137,592</u>	<u>137,592</u>
Restricted:			
Debt service	-	1,298,022	1,298,022
Capital improvements	-	4,515,380	4,515,380
Classroom facilities maintenance	-	2,733,488	2,733,488
Food service operations	-	1,570,019	1,570,019
Non-public schools	-	46,694	46,694
Special education	-	49,085	49,085
Extracurricular	-	34,683	34,683
Targeted academic assistance	-	64,567	64,567
Other purposes	-	120,337	120,337
Total restricted	<u>-</u>	<u>10,432,275</u>	<u>10,432,275</u>
Committed:			
Student instruction	153,461	-	153,461
Student and staff support	390,984	-	390,984
Other purposes	11,000	-	11,000
Total committed	<u>555,445</u>	<u>-</u>	<u>555,445</u>
Assigned:			
Student instruction	14,164	-	14,164
Student and staff support	583,209	-	583,209
Uniform school supplies	48,863	-	48,863
BWC payments	648,691	-	648,691
Other purposes	110,004	-	110,004
Total assigned	<u>1,404,931</u>	<u>-</u>	<u>1,404,931</u>
Unassigned (deficit)	<u>7,779,867</u>	<u>(10,243)</u>	<u>7,769,624</u>
Total fund balances	<u>\$ 9,740,243</u>	<u>\$ 10,559,624</u>	<u>\$ 20,299,867</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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	\$ 1,013,529
Other governmental	<u>210,560</u>
Total	<u>\$ 1,224,089</u>

**WARREN CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$740,098	\$740,098
National School Lunch Program	2013/2014	10.555	1,832,082	1,832,082
Summer Food Service Program	2013/2014	10.559	250,735	250,735
Non-Cash Assistance:				
National School Lunch Program	2013/2014	10.555	363,690	363,690
<b>Sub-Total U.S. Department of Agriculture - Nutrition Cluster</b>			<u>3,186,605</u>	<u>3,186,605</u>
Farm to School Grant	2013/2014	10.560	1,904	250
Fruit and Vegetable	2013/2014	10.582	7,521	7,521
<b>Total U.S. Department of Agriculture</b>			<u><u>3,196,030</u></u>	<u><u>3,194,376</u></u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Title I Grants to Local Educational Agencies	2013	84.010	369,528	511,454
	2014	84.010	3,672,366	3,734,564
Title I Sub A School Improvement	2012	84.010	146,788	116,689
	2014	84.010	163,916	176,727
<b>Total Title I Part A Grants to Local Educational Agencies</b>			<u>4,352,598</u>	<u>4,539,434</u>
Title I Neglected/Delinquent	2013	84.013	10,400	9,503
	2014	84.013	101,999	95,276
<b>Total Title I Neglect/Delinquent Grants</b>			<u>112,399</u>	<u>104,779</u>
Special Education Cluster:				
Special Education Grants to States	2013	84.027	347,082	454,730
	2014	84.027	1,056,748	1,016,040
<b>Total Special Education Grants to States - Special Education Cluster</b>			<u>1,403,830</u>	<u>1,470,770</u>
Improving Teacher Quality State Grants	2013	84.367	57,786	34,313
	2014	84.367	487,917	450,069
<b>Total Improving Teacher Quality State Grants</b>			<u>545,703</u>	<u>484,382</u>
21st Century Community Learn	2013	84.287	45,689	32,655
21st Century Community Learn	2014	84.287	169,199	171,663
<b>Total 21st Century Community Learning</b>			<u>214,888</u>	<u>204,318</u>
Race to the Top	2014	84.395	7,700	7,700
<b>Total U.S. Department of Education</b>			<u>6,637,118</u>	<u>6,811,383</u>
<b>Totals:</b>			<u><u>\$9,833,148</u></u>	<u><u>\$10,005,759</u></u>

The accompanying notes are an integral part of this schedule.

**WARREN CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District, Trumbull County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2015.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 6, 2015





# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Warren City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Warren City School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Warren City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

March 6, 2015

**WARREN CITY SCHOOL DISTRICT  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.010 Title I Grants to Local Educational Agencies CFDA #84.367-Improving Teacher Quality State Grants Title IIA
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,173 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None