



Rea & associates *a brighter way*

Warren City School District Trumbull County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Warren City School District, Trumbull County, prepared by Rea & Associates, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 9, 2018

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Trumbull County, Ohio
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Trumbull County, Ohio
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December 26, 2017

To the Board of Education
Warren City School District
Trumbull County, Ohio
105 High Street North East
Warren, OH 44481

Independent Auditor's Report

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, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Warren City School District, Trumbull County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions* on pages 5-17, 70-71, and 72-75, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, are required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our December 26, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. 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 2017 are as follows:

- The District's net position of governmental activities decreased \$514,512 which represents a 0.94% decrease from 2016.
- General revenues accounted for \$67,368,334 in revenue or 76.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$21,231,260 or 23.96% of total revenues of \$88,599,594.
- The District had \$89,114,106 in expenses related to governmental activities; \$21,231,260 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 \$67,368,334 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$73,029,718 in revenues, and \$68,399,987 in expenditures and other financing uses. During fiscal year 2017, the general fund's fund balance increased \$4,629,731 from \$20,180,604 to \$24,810,335.

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 2017?" 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, 2017

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 18-19 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 14. 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 20-24 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, 2017

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 30-68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 70-76 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The District as a Whole

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 June 30, 2017 and June 30, 2016.

	Net Position	
	Governmental Activities 2017	Governmental Activities 2016
<u>Assets</u>		
Current and other assets	\$ 70,687,313	\$ 65,682,709
Capital assets, net	<u>125,139,136</u>	<u>126,682,724</u>
Total assets	<u>195,826,449</u>	<u>192,365,433</u>
<u>Deferred outflows of resources</u>		
Unamortized deferred charges on debt refunding	1,916,092	2,049,001
Pensions	<u>21,114,866</u>	<u>8,684,833</u>
Total deferred outflows of resources	<u>23,030,958</u>	<u>10,733,834</u>
<u>Liabilities</u>		
Current liabilities	9,005,067	7,895,071
Long-term liabilities:		
Due within one year	2,004,865	2,080,981
Due in more than one year:		
Net pension liability	108,747,652	86,957,282
Other amounts	<u>30,733,535</u>	<u>31,674,193</u>
Total liabilities	<u>150,491,119</u>	<u>128,607,527</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for next fiscal year	13,972,444	13,947,806
Pensions	<u>63,990</u>	<u>5,699,568</u>
Total deferred inflows of resources	<u>14,036,434</u>	<u>19,647,374</u>
<u>Net position</u>		
Net investment in capital assets	97,652,726	98,123,939
Restricted	9,442,818	10,807,150
Unrestricted	<u>(52,765,690)</u>	<u>(54,086,723)</u>
Total net position	<u>\$ 54,329,854</u>	<u>\$ 54,844,366</u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,329,854.

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

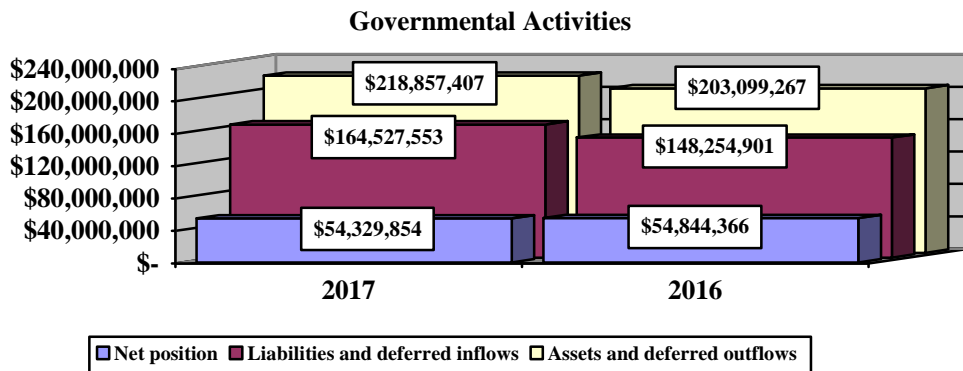
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At year-end, capital assets represented 63.90% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets at June 30, 2017, was \$97,652,726. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$9,442,818, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position was a deficit of \$52,765,690. The deficit balance in unrestricted net position was the result of reporting the net pension liability required by GASB 68.

Current and other assets increased by \$5,004,604 in fiscal year 2017, with the most significant increase being cash and investments as a result of increases in state funding. The decrease in capital assets of \$1,543,588 was due to current year depreciation expense exceeding current year capital asset additions. The increase in liabilities is primarily due to an increase in the District's net pension liability.

The graph below illustrates the District's governmental activities assets plus deferred outflows, liabilities plus deferred inflows and net position at June 30, 2017 and 2016.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

The table below shows the changes in net position for governmental activities between 2017 and 2016.

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,300,438	\$ 2,267,397
Operating grants and contributions	18,834,722	19,082,892
Capital grants and contributions	96,100	-
General revenues:		
Property taxes	13,588,710	12,552,595
Grants and entitlements	53,676,361	53,009,421
Investment earnings	6,653	364,368
Miscellaneous	<u>96,610</u>	<u>50,708</u>
Total revenues	<u>88,599,594</u>	<u>87,327,381</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	34,262,240	32,467,055
Special	15,121,566	13,266,566
Vocational	182,284	231,208
Other	277,229	225,983
Support services:		
Pupil	5,130,699	4,472,376
Instructional staff	3,576,747	3,141,184
Board of Education	56,975	36,799
Administration	6,204,804	5,520,947
Fiscal	1,223,149	1,222,871
Business	896,479	861,216
Operations and maintenance	8,999,041	8,310,836
Pupil transportation	3,578,100	2,997,006
Central	1,276,314	1,732,065
Operation of non-instructional services:		
Food service operations	4,718,717	4,318,204
Other non-instructional services	527,195	439,738
Extracurricular activities	1,845,954	1,344,488
Interest and fiscal charges	<u>1,236,613</u>	<u>1,272,001</u>
Total expenses	<u>89,114,106</u>	<u>81,860,543</u>
Changes in net position	(514,512)	5,466,838
Net position at beginning of year	<u>54,844,366</u>	<u>49,377,528</u>
Net position at end of year	<u>\$ 54,329,854</u>	<u>\$ 54,844,366</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Governmental Activities

Net position of the District's governmental activities decreased \$514,512. Total governmental expenses of \$89,114,106 were offset by program revenues of \$21,231,260 and general revenues of \$67,368,334. Program revenues supported 23.82% of the total governmental expenses.

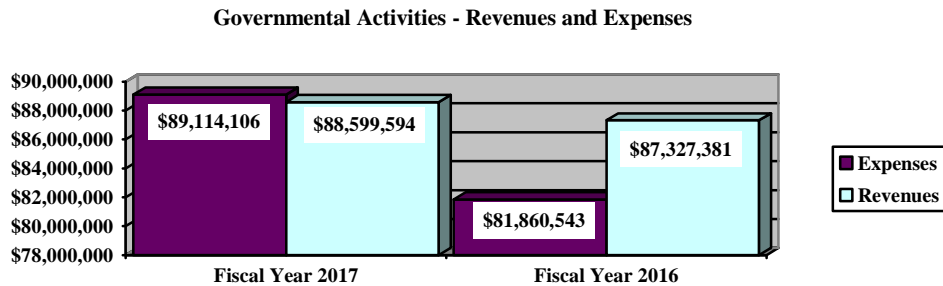
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.92% of total governmental revenue.

Unrestricted grants and entitlements increased by approximately \$667,000 from the prior fiscal year due to increased intergovernmental aid from the State of Ohio's School Foundation program and reimbursements from the District's participation in the Ohio Department of Education's Medicaid Schools Program.

Expenses increased approximately \$7.25 million from fiscal year 2016. The increase was primarily due to customary wage and benefit increases, as well as the increase in pension expense related to the District's net pension liability.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$49,843,319 or 55.93% of total governmental expenses for fiscal 2017.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2017 and 2016.



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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Governmental Activities

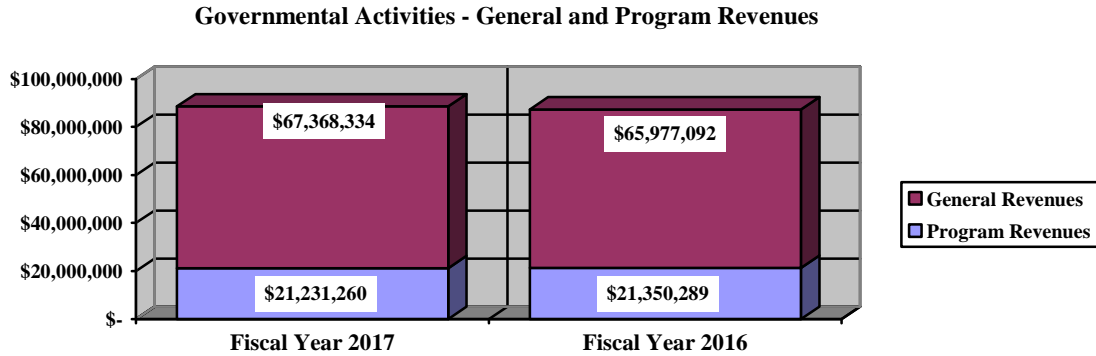
	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>
Program expenses				
Instruction:				
Regular	\$ 34,262,240	\$ 33,332,294	\$ 32,467,055	\$ 31,458,189
Special	15,121,566	4,331,286	13,266,566	2,149,783
Vocational	182,284	(84,643)	231,208	22,305
Other	277,229	268,830	225,983	215,857
Support services:				
Pupil	5,130,699	4,928,192	4,472,376	4,249,686
Instructional staff	3,576,747	1,399,615	3,141,184	954,971
Board of education	56,975	56,975	36,799	36,799
Administration	6,204,804	5,790,080	5,520,947	5,082,266
Fiscal	1,223,149	901,327	1,222,871	825,963
Business	896,479	895,779	861,216	861,216
Operations and maintenance	8,999,041	8,854,248	8,310,836	8,290,753
Pupil transportation	3,578,100	3,066,254	2,997,006	2,510,812
Central	1,276,314	1,276,314	1,732,065	1,732,065
Operations of non-instructional services:				
Food service operations	4,718,717	140,815	4,318,204	(109,232)
Other non-instructional services	527,195	42,923	439,738	15,135
Extracurricular activities	1,845,954	1,445,944	1,344,488	941,685
Interest and fiscal charges	1,236,613	1,236,613	1,272,001	1,272,001
Total expenses	<u>\$ 89,114,106</u>	<u>\$ 67,882,846</u>	<u>\$ 81,860,543</u>	<u>\$ 60,510,254</u>

The dependence upon tax and other general revenues for governmental activities is apparent, as 75.93% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.18%. 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, 2017

The graph below presents the District's governmental activities revenue for fiscal years 2017 and 2016.



The District's Funds

The District's governmental funds reported a combined fund balance of \$35,364,479, which is greater than last year's total of \$31,922,867. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance <u>June 30, 2017</u>	Fund Balance <u>June 30, 2016</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
Major fund:				
General	\$ 24,810,335	\$ 20,180,604	\$ 4,629,731	22.94 %
Other governmental	<u>10,554,144</u>	<u>11,742,263</u>	<u>(1,188,119)</u>	(10.12) %
Total	<u>\$ 35,364,479</u>	<u>\$ 31,922,867</u>	<u>\$ 3,441,612</u>	10.78 %

General Fund

The District's general fund balance increased as revenues increased and expenditures increased compared to the prior fiscal year. The most significant change in revenues was intergovernmental revenue, which increased approximately \$740,000 due to increased School Foundation funding from the State.

Instructional expenditures increased 4.45% over the prior fiscal year. Support services expenditures increased 7.38%. This is primarily due to customary wage and benefit increases, as well as increases in special education expenses financed through state foundation and federal grants.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 11,656,284	\$ 11,790,981	\$ (134,697)	(1.14) %
Tuition	1,115,467	1,092,846	22,621	2.07 %
Earnings on investments	20,215	320,373	(300,158)	(93.69) %
Intergovernmental	59,627,138	58,887,550	739,588	1.26 %
Other revenues	<u>610,614</u>	<u>855,543</u>	<u>(244,929)</u>	<u>(28.63) %</u>
Total	<u>\$ 73,029,718</u>	<u>\$ 72,947,293</u>	<u>\$ 82,425</u>	0.11 %
<u>Expenditures</u>				
Instruction	\$ 42,202,704	\$ 40,403,559	\$ 1,799,145	4.45 %
Support services	25,044,155	23,322,904	1,721,251	7.38 %
Non-instructional services	11,032	24,831	(13,799)	(55.57) %
Extracurricular activities	1,003,926	993,126	10,800	1.09 %
Debt service	<u>104,940</u>	<u>104,940</u>	<u>-</u>	- %
Total	<u>\$ 68,366,757</u>	<u>\$ 64,849,360</u>	<u>\$ 3,517,397</u>	5.42 %

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 2017, the District amended its general fund budget several times. For the general fund, original budgeted revenues and financing sources were \$67,470,123 and final budgeted revenues and other financing sources were \$73,808,928. 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 2017 were \$73,257,655. This represents a \$551,273 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$70,610,934 were increased to \$71,594,440 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled \$68,894,772 which was \$2,699,668 less than the final budget appropriations. The variances were primarily caused by instructional costs ending the year under budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2017, the District had \$125,139,136 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 2017 balances compared to 2016:

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

	Governmental Activities	
	2017	2016
Land	\$ 7,961,988	\$ 7,875,888
Land improvements	1,077,728	1,026,250
Building and improvements	113,378,929	116,088,689
Furniture and equipment	1,961,171	1,561,696
Vehicles	759,320	130,201
Total	\$ 125,139,136	\$ 126,682,724

The overall decrease in capital assets of \$1,543,588 is due to depreciation expense of \$3,352,167 exceeding capital outlays of \$2,164,650 and disposals (net of accumulated depreciation) of \$356,071.

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

Debt Administration

At June 30, 2017, the District had \$27,231,181 in general obligation bonds, \$652,000 in tax anticipation notes and \$208,121 in a capital lease outstanding. Of this total, \$1,497,601 is due within one year and \$26,593,701 is due in greater than one year. The District also reports \$108,747,652 as a net pension liability as required by GASB 68. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2017</u>	Governmental Activities <u>2016</u>
General obligation bonds	\$ 27,231,181	\$ 28,397,210
Tax anticipation notes	652,000	306,250
Capital lease agreement	208,121	292,702
Lease purchase agreement	-	19,004
Total	\$ 28,091,302	\$ 29,015,166

At June 30, 2017, the District had a voted debt margin of \$1,797,243 and an unvoted debt margin of \$301,550.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Current Related Financial Activities

Overall, the District remains financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential class property. The increase in 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 2018. However, the future financial stability of the District is not without challenges as we are heavily dependent on a funding formula that places emphasis on economically disadvantaged districts.

The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2021 (based upon the most recent 5 Year Forecast submitted in May 2017). The District continues its plan to control spending for the future by keeping a watchful eye on the enrollment and staffing levels.

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 ESSA (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, and grow, its cash balance over the last three fiscal years.

The District's voters renewed an emergency levy in the November 5, 2016 election for a period of 10 years. In recent fiscal years the Board and Administration have carefully managed the budget to minimize the size of a potential future request from the community. The District will continue to monitor and cut costs where possible to further decrease the request.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 46,681,079
Receivables:	
Taxes	20,704,318
Accounts.	72,269
Intergovernmental	2,799,936
Accrued interest	127,628
Prepayments	177,083
Inventory held for resale.	125,000
Capital assets:	
Nondepreciable capital assets	7,961,988
Depreciable capital assets, net.	117,177,148
Capital assets, net.	125,139,136
Total assets.	195,826,449
Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	1,916,092
Pension - STRS	16,012,585
Pension - SERS	5,102,281
Total deferred outflows of resources	23,030,958
Liabilities:	
Accounts payable.	1,139,606
Accrued wages and benefits	5,510,824
Intergovernmental payable	693,586
Pension obligation payable.	867,005
Accrued interest payable.	83,407
Claims payable.	710,639
Long-term liabilities:	
Due within one year.	2,004,865
Due in more than one year:	
Net pension liability	108,747,652
Other amounts due in more than one year	30,733,535
Total liabilities	150,491,119
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	13,972,444
Pension - SERS.	63,990
Total deferred inflows of resources	14,036,434
Net position:	
Net investment in capital assets	97,652,726
Restricted for:	
Capital projects	2,153,969
Classroom facilities maintenance	2,842,706
Debt service.	1,615,397
State funded programs.	119,484
Federally funded programs	37,568
Food service operations.	2,587,404
Student activities	68,023
Other purposes	18,267
Unrestricted (deficit)	(52,765,690)
Total net position.	\$ 54,329,854

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, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 34,262,240	\$ 849,246	\$ 80,700	\$ -	\$ (33,332,294)
Special	15,121,566	266,221	10,524,059	-	(4,331,286)
Vocational	182,284	-	266,927	-	84,643
Other	277,229	8,399	-	-	(268,830)
Support services:					
Pupil	5,130,699	-	202,507	-	(4,928,192)
Instructional staff	3,576,747	56,300	2,120,832	-	(1,399,615)
Board of education	56,975	-	-	-	(56,975)
Administration	6,204,804	-	414,724	-	(5,790,080)
Fiscal	1,223,149	166,236	155,586	-	(901,327)
Business	896,479	700	-	-	(895,779)
Operations and maintenance	8,999,041	20,645	28,048	96,100	(8,854,248)
Pupil transportation	3,578,100	164,372	347,474	-	(3,066,254)
Central	1,276,314	-	-	-	(1,276,314)
Operation of non-instructional services:					
Food service operations	4,718,717	352,590	4,225,312	-	(140,815)
Other non-instructional services	527,195	15,719	468,553	-	(42,923)
Extracurricular activities	1,845,954	400,010	-	-	(1,445,944)
Interest and fiscal charges	1,236,613	-	-	-	(1,236,613)
Total governmental activities	\$ 89,114,106	\$ 2,300,438	\$ 18,834,722	\$ 96,100	(67,882,846)
General revenues:					
Property taxes levied for:					
General purposes					11,574,686
Classroom facilities maintenance					125,371
Debt service					1,763,284
Capital outlay					125,369
Grants and entitlements not restricted					
to specific programs					53,676,361
Investment earnings					6,653
Miscellaneous					96,610
Total general revenues					67,368,334
Change in net position					(514,512)
Net position at beginning of year					54,844,366
Net position at end of year					\$ 54,329,854

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 30,570,732	\$ 10,359,981	\$ 40,930,713
Receivables:			
Taxes	17,628,269	3,076,049	20,704,318
Accounts	71,521	748	72,269
Intergovernmental	438,106	2,361,830	2,799,936
Accrued interest	127,628	-	127,628
Prepayments	177,083	-	177,083
Inventory held for resale	-	125,000	125,000
Due from other funds	458,522	153	458,675
Total assets	<u>\$ 49,471,861</u>	<u>\$ 15,923,761</u>	<u>\$ 65,395,622</u>
Liabilities:			
Accounts payable	\$ 714,480	\$ 425,126	\$ 1,139,606
Accrued wages and benefits	4,640,650	870,174	5,510,824
Compensated absences payable	138,377	-	138,377
Intergovernmental payable	684,472	9,114	693,586
Pension obligation payable	670,959	196,046	867,005
Due to other funds	-	458,675	458,675
Total liabilities	<u>6,848,938</u>	<u>1,959,135</u>	<u>8,808,073</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	11,896,551	2,075,893	13,972,444
Delinquent property tax revenue not available	5,622,893	981,168	6,604,061
Intergovernmental revenue not available	214,427	353,421	567,848
Accrued interest not available	78,717	-	78,717
Total deferred inflows of resources	<u>17,812,588</u>	<u>3,410,482</u>	<u>21,223,070</u>
Fund balances:			
Nonspendable:			
Prepays	177,083	-	177,083
Restricted:			
Debt service	-	1,362,764	1,362,764
Capital improvements	-	2,095,086	2,095,086
Classroom facilities maintenance	-	2,804,610	2,804,610
Food service operations	-	2,650,039	2,650,039
Non-public schools	-	22,063	22,063
Targeted academic assistance	-	243	243
Extracurricular	-	68,023	68,023
Other purposes	-	113,876	113,876
Committed:			
Student and staff support	60,384	-	60,384
Other purposes	11,000	-	11,000
Assigned:			
Student instruction	141,049	-	141,049
Student and staff support	714,527	-	714,527
Extracurricular activities	1,500	-	1,500
BWC payments	806,009	-	806,009
Subsequent year's appropriations	909,297	-	909,297
Capital improvements	-	1,685,780	1,685,780
Other purposes	108,260	-	108,260
Unassigned (deficit)	<u>21,881,226</u>	<u>(248,340)</u>	<u>21,632,886</u>
Total fund balances	<u>24,810,335</u>	<u>10,554,144</u>	<u>35,364,479</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 49,471,861</u>	<u>\$ 15,923,761</u>	<u>\$ 65,395,622</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, 2017

Total governmental fund balances		\$	35,364,479
<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.			125,139,136
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	6,604,061	
Accrued interest receivable		78,717	
Intergovernmental receivable		567,848	
Total			7,250,626
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.			5,039,727
Unamortized premiums on bonds issued are not recognized in the funds.			(1,837,381)
Unamortized amounts on refundings are not recognized in the funds.			1,916,092
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(83,407)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - pension		21,114,866	
Deferred inflows - pension		(63,990)	
Net pension liability		(108,747,652)	
Total			(87,696,776)
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		(27,231,181)	
Capital lease obligations		(208,121)	
Compensated absences		(2,671,340)	
Tax anticipation note		(652,000)	
Total			(30,762,642)
Net position of governmental activities		\$	54,329,854

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 11,656,284	\$ 1,996,699	\$ 13,652,983
Tuition	1,115,467	-	1,115,467
Transportation fees	164,372	-	164,372
Earnings on investments	20,215	16,810	37,025
Charges for services	-	351,007	351,007
Extracurricular	-	247,551	247,551
Classroom materials and fees	8,399	-	8,399
Other local revenues	437,843	92,409	530,252
Intergovernmental - state	59,023,435	2,308,978	61,332,413
Intergovernmental - federal	603,703	10,790,640	11,394,343
Total revenues	<u>73,029,718</u>	<u>15,804,094</u>	<u>88,833,812</u>
Expenditures:			
Current:			
Instruction:			
Regular	32,120,352	98,419	32,218,771
Special	9,646,201	4,326,517	13,972,718
Vocational	166,658	-	166,658
Other	269,493	-	269,493
Support services:			
Pupil	4,478,879	210,517	4,689,396
Instructional staff	1,131,860	2,116,327	3,248,187
Board of education	56,843	-	56,843
Administration	5,208,348	418,436	5,626,784
Fiscal	958,017	204,718	1,162,735
Business	767,776	2,089	769,865
Operations and maintenance	8,136,738	351,102	8,487,840
Pupil transportation	3,118,681	972,927	4,091,608
Central	1,187,013	-	1,187,013
Operation of non-instructional services:			
Food service operations	-	4,494,702	4,494,702
Other non-instructional services	11,032	498,244	509,276
Extracurricular activities	1,003,926	295,580	1,299,506
Facilities acquisition and construction	-	981,222	981,222
Debt service:			
Principal retirement	84,581	1,712,254	1,796,835
Interest and fiscal charges	20,359	1,061,389	1,081,748
Total expenditures	<u>68,366,757</u>	<u>17,744,443</u>	<u>86,111,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,662,961</u>	<u>(1,940,349)</u>	<u>2,722,612</u>
Other financing sources (uses):			
Sale of notes	-	719,000	719,000
Transfers in	-	341,043	341,043
Transfers (out)	(33,230)	(307,813)	(341,043)
Total other financing sources (uses)	<u>(33,230)</u>	<u>752,230</u>	<u>719,000</u>
Net change in fund balances	4,629,731	(1,188,119)	3,441,612
Fund balances at beginning of year	<u>20,180,604</u>	<u>11,742,263</u>	<u>31,922,867</u>
Fund balances at end of year	<u>\$ 24,810,335</u>	<u>\$ 10,554,144</u>	<u>\$ 35,364,479</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, 2017

Net change in fund balances - total governmental funds	\$	3,441,612
<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	\$ 2,164,650	
Current year depreciation	(3,352,167)	
Total		(1,187,517)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(356,071)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(64,273)	
Earnings on investments	(14,901)	
Intergovernmental	(241,144)	
Total		(320,318)
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.		
		1,796,835
Issuance of tax anticipation notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(719,000)
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	4,566	
Accreted interest on capital appreciation bonds	(153,971)	
Amortization of bond premiums	127,449	
Amortization of deferred charges	(132,909)	
Total		(154,865)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amount as deferred outflows.		
		5,272,848
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(8,997,607)
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.		
		(98,777)
Internal service funds used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities		
		808,348
Change in net position of governmental activities	\$	(514,512)

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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 10,677,550	\$ 11,680,703	\$ 11,678,321	\$ (2,382)
Tuition	1,043,355	1,141,378	1,133,944	(7,434)
Transportation fees	123,406	135,000	133,244	(1,756)
Earnings on investments	301,659	330,000	309,237	(20,763)
Classroom materials and fees	91	100	-	(100)
Other local revenues	245,532	268,600	259,462	(9,138)
Intergovernmental - state	54,403,636	59,514,847	59,017,737	(497,110)
Intergovernmental - federal	535,674	586,000	592,401	6,401
Total revenues	67,330,903	73,656,628	73,124,346	(532,282)
Expenditures:				
Current:				
Instruction:				
Regular	33,343,403	33,807,826	32,448,926	1,358,900
Special	9,012,915	9,138,452	9,080,271	58,181
Vocational	171,490	173,879	170,691	3,188
Other	427,915	433,875	252,649	181,226
Support services:				
Pupil	4,489,000	4,551,525	4,482,976	68,549
Instructional staff	1,155,532	1,171,627	1,097,924	73,703
Board of education	91,100	92,369	68,796	23,573
Administration	5,312,756	5,386,755	5,263,037	123,718
Fiscal	985,451	999,177	968,882	30,295
Business	998,438	1,012,345	910,343	102,002
Operations and maintenance	8,710,675	8,832,002	8,673,088	158,914
Pupil transportation	3,441,801	3,489,740	3,176,039	313,701
Central	1,435,662	1,455,659	1,307,508	148,151
Extracurricular activities	954,470	967,764	921,412	46,352
Total expenditures	70,530,608	71,512,995	68,822,542	2,690,453
Excess of revenues over expenditures	(3,199,705)	2,143,633	4,301,804	2,158,171
Other financing sources (uses):				
Refund of prior year's expenditures	137,118	150,000	132,093	(17,907)
Refund of prior year's receipts	(2,959)	(3,000)	-	3,000
Transfers in	914	1,000	-	(1,000)
Transfers (out)	(77,367)	(78,445)	(72,230)	6,215
Sale of capital assets	1,188	1,300	1,216	(84)
Total other financing sources (uses)	58,894	70,855	61,079	(9,776)
Net change in fund balance	(3,140,811)	2,214,488	4,362,883	2,148,395
Fund balance at beginning of year	23,556,934	23,556,934	23,556,934	-
Prior year encumbrances appropriated	1,131,317	1,131,317	1,131,317	-
Fund balance at end of year	\$ 21,547,440	\$ 26,902,739	\$ 29,051,134	\$ 2,148,395

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>Governmental Activities - Internal Service Funds</u>
Assets:	
Equity in pooled cash and investments	\$ 5,750,366
Total assets	<u>5,750,366</u>
Liabilities:	
Claims payable	<u>710,639</u>
Total liabilities	<u>710,639</u>
Net position:	
Unrestricted.	<u>5,039,727</u>
Total net position.	<u>\$ 5,039,727</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, 2017

	Governmental Activities - Internal Service Funds
Operating revenues:	
Charges for services	\$ 9,990,845
Other	<u>97,112</u>
Total operating revenues	<u>10,087,957</u>
Operating expenses:	
Purchased services	6,922
Materials and supplies	87,953
Claims	<u>9,184,734</u>
Total operating expenses	<u>9,279,609</u>
Operating income	<u>808,348</u>
Change in net position	808,348
Net position at beginning of year	<u>4,231,379</u>
Net position at end of year	<u>\$ 5,039,727</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, 2017

	<u>Governmental Activities - Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from charges for services	\$ 9,990,845
Cash received from other operations	97,112
Cash payments for purchased services	(84,999)
Cash payments for materials and supplies	(88,554)
Cash payments for claims	<u>(9,147,544)</u>
 Net cash provided by operating activities	 <u>766,860</u>
 Net increase in cash and investments.	 766,860
 Cash and investments at beginning of year	 <u>4,983,506</u>
Cash and investments at end of year.	<u><u>\$ 5,750,366</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 808,348
Changes in assets and liabilities:	
Decrease in accounts payable	(78,678)
Increase in claims payable.	<u>37,190</u>
 Net cash provided by operating activities.	 <u><u>\$ 766,860</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, 2017

	Agency
Assets:	
Equity in pooled cash and investments	\$ 49,825
Total assets	\$ 49,825
Liabilities:	
Accounts payable	\$ 452
Due to students	48,789
Due to others	584
Total liabilities	\$ 49,825

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, 2017

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 165
Deductions:	
Transfer of scholarships to the Community Foundation of the Mahoning Valley.	28,644
Change in net position	(28,479)
Net position at beginning of year.	28,479
Net position at end of year	\$ -

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, 2017

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 312 non-certified and 481 certified employees to provide services to approximately 4,716 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, 2017

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 2017. 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, 2017

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, 2017

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, 2017

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, 2017

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, accrued interest and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Note 13 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities 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 2017 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2. By no later than January 20, the Board-adopted budget is filed with the Trumbull County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final amended certificate of estimated resources issued for fiscal year 2017.
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 re-appropriated.

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 2017, 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, 2017

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

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2017 amounted to \$20,215, which includes \$2,063 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 acquisition cost 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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, 2017, 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, 2017 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, 2017

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, leases 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, 2017

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, 2017

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. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2017, the District had no extraordinary or special items.

S. Fair Market Value

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

T. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, “*Tax Abatement Disclosures*”, GASB Statement No. 78, “*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*”, GASB Statement No. 80, “*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*” and GASB Statement No. 82, “*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*”.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government’s tax revenues. These disclosures were incorporated in the District’s fiscal year 2017 financial statements (see Note 19); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 47,805
Title VI-B	50,281
Title I	105,250
Improving teacher quality	43,318
Miscellaneous federal grants	1,686

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$5,970 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, 2017, the carrying amount of all District deposits was \$20,751,599. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, \$17,568,441 of the District's bank balance of \$20,860,282 was exposed to custodial risk as discussed below, while \$3,291,841 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2017, the District had the following investments and maturities:

Measurement/ Investment type	Measurement value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Fair value:						
FHLB	\$ 5,225,355	\$ -	\$ -	\$ -	\$ -	\$ 5,225,355
FAMC	1,355,499	602,004	499,320	-	-	254,175
FHLMC	2,729,825	75,003	748,152	-	-	1,906,670
FNMA	2,045,253	-	-	298,668	-	1,746,585
FFCB	1,940,233	-	-	-	497,220	1,443,013
PEFCO	12,215,593	-	-	1,518,925	523,800	10,172,868
Negotiable CD's	245,907	-	-	-	-	245,907
U.S. Government money market	40,377	40,377	-	-	-	-
Amortized cost:						
STAR Ohio	175,293	175,293	-	-	-	-
	<u>\$ 25,973,335</u>	<u>\$ 892,677</u>	<u>\$ 1,247,472</u>	<u>\$ 1,817,593</u>	<u>\$ 1,021,020</u>	<u>\$ 20,994,573</u>

The weighted average maturity of investments is 2.78 years.

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

Interest Rate Risk: 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 were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement value</u>	<u>% of Total</u>
Fair value:		
FHLB	\$ 5,225,355	20.12
FAMC	1,355,499	5.22
FHLMC	2,729,825	10.51
FNMA	2,045,253	7.87
FFCB	1,940,233	7.47
PEFCO	12,215,593	47.03
Negotiable CD's	245,907	0.95
U.S. Government money market	40,377	0.16
Amortized cost:		
STAR Ohio	175,293	0.67
	<u>\$ 25,973,335</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, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 20,751,599
Investments	25,973,335
Cash on hand	5,970
Total	<u>\$ 46,730,904</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 46,681,079
Agency fund	49,825
Total	<u>\$ 46,730,904</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances consisted of the following due to/from other funds at June 30, 2017, as reported on the fund statements:

	<u>Amount</u>
<u>Due to the general fund from:</u>	
Nonmajor governmental funds	\$ 458,522
<u>Due to nonmajor governmental funds from:</u>	
Nonmajor governmental funds	153
 Total	 \$ 458,675

The primary purpose of the interfund loans due to the general fund is to cover negative cash balances in the Public School Preschool fund, the Title IV-B fund, Title I School Improvement A fund, Title I fund Improving Teacher Quality 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 and nonmajor governmental funds 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, 2017, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 33,230
<u>Transfers from nonmajor governmental funds to:</u>	
Nonmajor governmental funds	307,813
 Total	 \$ 341,043

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

The transfers between nonmajor governmental funds represent an amount transferred from the permanent improvement fund to the debt service fund in order to retire the balance of the previously outstanding tax anticipation notes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

All transfers made in fiscal year 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2015, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, 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, 2017, are available to finance fiscal year 2017 operations. The amount available for advance at June 30, 2017 was \$108,825 in the general fund, \$16,664 in the debt service fund, a nonmajor governmental fund, \$1,162 in the permanent improvement fund, a nonmajor governmental fund, and \$1,162 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was 130,862 in the general fund, \$19,424 in the debt service fund, a nonmajor governmental fund, \$1,344 in the permanent improvement fund, a nonmajor governmental fund, and \$1,343 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, 2017 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 277,896,240	91.62	\$ 275,984,850	91.52
Public utility personal	<u>25,405,770</u>	<u>8.38</u>	<u>25,564,920</u>	<u>8.48</u>
Total	<u>\$ 303,302,010</u>	<u>100.00</u>	<u>\$ 301,549,770</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 63.90		\$ 64.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 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	\$ 20,704,318
Accounts	72,269
Intergovernmental	2,799,936
Accrued interest	<u>127,628</u>
Total	<u>\$ 23,704,151</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/17</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 7,875,888	\$ 86,100	\$ -	\$ 7,961,988
Total capital assets, not being depreciated	<u>7,875,888</u>	<u>86,100</u>	<u>-</u>	<u>7,961,988</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,393,727	491,563	(450,723)	1,434,567
Buildings and improvements	136,140,487	21,841	-	136,162,328
Furniture and equipment	3,232,446	842,622	-	4,075,068
Vehicles	<u>2,180,306</u>	<u>722,524</u>	<u>-</u>	<u>2,902,830</u>
Total capital assets, being depreciated	<u>142,946,966</u>	<u>2,078,550</u>	<u>(450,723)</u>	<u>144,574,793</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(367,477)	(84,014)	94,652	(356,839)
Buildings and improvements	(20,051,798)	(2,731,601)	-	(22,783,399)
Furniture and equipment	(1,670,750)	(443,147)	-	(2,113,897)
Vehicles	<u>(2,050,105)</u>	<u>(93,405)</u>	<u>-</u>	<u>(2,143,510)</u>
Total accumulated depreciation	<u>(24,140,130)</u>	<u>(3,352,167)</u>	<u>94,652</u>	<u>(27,397,645)</u>
Governmental activities capital assets, net	<u>\$ 126,682,724</u>	<u>\$ (1,187,517)</u>	<u>\$ (356,071)</u>	<u>\$ 125,139,136</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,117,531
Special	552,501
Vocational	9,599
Other	3,273
<u>Support services:</u>	
Pupil	218,028
Instructional staff	153,494
Administration	274,181
Fiscal	27,130
Business	106,130
Operations and maintenance	456,377
Pupil transportation	119,922
Central	44,910
Food service operations	137,688
Non-instructional	8,958
Extracurricular activities	<u>122,445</u>
Total depreciation expense	<u>\$ 3,352,167</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into a lease agreement for copiers and 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. These leases meet 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 general fund and permanent improvement fund, respectively.

The general capital assets acquired by these capital leases have been capitalized in the governmental activities on the statement of net position in the amount of \$432,176 for copiers and \$166,540 for stadium improvements, respectively. Accumulated depreciation as of June 30, 2017 was \$282,702, leaving a current book value of \$316,014. 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, 2017

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

The following is a schedule of the future long-term minimum lease payments required under the lease agreements and the present value of the future minimum lease payments as of June 30, 2017:

<u>Fiscal Year Ending June 30</u>	<u>Copiers</u>
2018	\$ 104,940
2019	104,940
2020	<u>17,490</u>
Total minimum lease payments	227,370
Less: amount representing interest	<u>(19,249)</u>
Total	<u>\$ 208,121</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/17</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
2012 advance refunding bonds					
Current interest bonds	\$ 27,730,000	\$ -	\$ (1,320,000)	\$ 26,410,000	\$ 1,340,000
Capital appreciation bonds	295,000	-	-	295,000	-
Accreted interest	372,210	153,971	-	526,181	-
Total general obligation bonds	<u>28,397,210</u>	<u>153,971</u>	<u>(1,320,000)</u>	<u>27,231,181</u>	<u>1,340,000</u>
<u>Other long-term obligations:</u>					
Tax anticipation notes	306,250	719,000	(373,250)	652,000	66,000
Lease purchase agreement	19,004	-	(19,004)	-	-
Capital lease agreement	292,702	-	(84,581)	208,121	91,601
Net pension liability	86,957,282	21,790,370	-	108,747,652	-
Compensated absences	2,775,178	628,344	(593,805)	2,809,717	507,264
Total governmental activities long-term liabilities	<u>\$ 118,747,626</u>	<u>\$ 23,291,685</u>	<u>\$ (2,390,640)</u>	139,648,671	<u>\$ 2,004,865</u>
				<u>1,837,381</u>	
				<u>\$ 141,486,052</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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.

Capital lease agreement: See Note 9 for more detail on the District's capital lease agreement.

Net pension liability: See Note 13 for information on the District's net pension liability.

- B.** 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 \$27,540,000 at June 30, 2017.

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.

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 2012 series advance refunding bonds:

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,340,000	\$ 999,619	\$ 2,339,619	\$ -	\$ -	\$ -
2019	1,480,000	948,906	2,428,906	-	-	-
2020	-	919,306	919,306	295,000	1,085,000	1,380,000
2021	1,345,000	892,407	2,237,407	-	-	-
2022	1,415,000	837,206	2,252,206	-	-	-
2023 - 2027	8,740,000	3,234,532	11,974,532	-	-	-
2028 - 2032	12,090,000	1,195,641	13,285,641	-	-	-
Total	<u>\$ 26,410,000</u>	<u>\$ 9,027,617</u>	<u>\$ 35,437,617</u>	<u>\$ 295,000</u>	<u>\$ 1,085,000</u>	<u>\$ 1,380,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. On December 16, 2009, the District issued \$875,000 in tax anticipation notes in order to provide funds to purchase the District's administration building. These tax anticipation notes bore an interest rate of 3.25% until December 1, 2014, at which time the interest rate became 5.25%. The notes are paid using the proceeds of the permanent improvement tax levy. On July 29, 2016, the District retired these notes in full.

On September 1, 2016, the District issued \$719,000 in tax anticipation notes in order to provide funds for the retirement of the notes discussed above and for on-going permanent improvement projects. These tax anticipation notes bear an interest rate of 2.25%. The notes are paid using the proceeds of the permanent improvement tax levy.

Interest payments on the tax anticipation notes are due June 1 and December 1 each year. The final maturity stated on the issue is December 1, 2025; however, the notes may be retired in full on or after December 1, 2020.

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
2018	\$ 66,000	\$ 13,928	\$ 79,928
2019	68,000	12,420	80,420
2020	69,000	10,878	79,878
2021	71,000	9,304	80,304
2022	72,000	7,695	79,695
2023-2026	306,000	13,950	319,950
Total	<u>\$ 652,000</u>	<u>\$ 68,175</u>	<u>\$ 720,175</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$1,797,243 (including available funds of \$1,362,764) and an unvoted debt margin of \$301,550.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - COMPENSATED ABSENCES

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

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

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

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

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

NOTE 12 - RISK MANAGEMENT

A. General Risk

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

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from 2016.

B. Workers' Compensation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Health Insurance

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

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

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

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

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$710,639 at June 30, 2017.

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>
2017	\$ 673,449	\$ 9,184,734	\$ (9,147,544)	\$ 710,639
2016	539,000	8,232,121	(8,097,672)	673,449

NOTE 13 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,370,738 for fiscal year 2017. Of this amount, \$41,490 is reported as pension obligation payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,902,110 for fiscal year 2017. Of this amount, \$654,042 is reported as pension obligation payable.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.29934440%	0.25283573%	
Proportion of the net pension liability current measurement date	<u>0.30236630%</u>	<u>0.25876734%</u>	
Change in proportionate share	<u>0.00302190%</u>	<u>0.00593161%</u>	
Proportionate share of the net pension liability	\$ 22,130,423	\$ 86,617,229	\$ 108,747,652
Pension expense	\$ 2,300,530	\$ 6,697,077	\$ 8,997,607

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 298,490	\$ 3,499,753	\$ 3,798,243
Net difference between projected and actual earnings on pension plan investments	1,825,438	7,191,556	9,016,994
Changes of assumptions	1,477,327	-	1,477,327
Difference between District contributions and proportionate share of contributions/change in proportionate share	130,288	1,419,166	1,549,454
District contributions subsequent to the measurement date	<u>1,370,738</u>	<u>3,902,110</u>	<u>5,272,848</u>
Total deferred outflows of resources	<u>\$ 5,102,281</u>	<u>\$ 16,012,585</u>	<u>\$ 21,114,866</u>
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/change in proportionate share	<u>\$ 63,990</u>	<u>\$ -</u>	<u>\$ 63,990</u>
Total deferred inflows of resources	<u>\$ 63,990</u>	<u>\$ -</u>	<u>\$ 63,990</u>

\$5,272,848 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2018	\$ 919,022	\$ 2,050,039	\$ 2,969,061
2019	917,708	2,050,040	2,967,748
2020	1,306,085	4,809,639	6,115,724
2021	<u>524,738</u>	<u>3,200,757</u>	<u>3,725,495</u>
Total	<u>\$ 3,667,553</u>	<u>\$ 12,110,475</u>	<u>\$ 15,778,028</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 29,299,301	\$ 22,130,423	\$ 16,129,774

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	 <u>7.61 %</u>

* 10-year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investments expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 115,107,259	\$ 86,617,229	\$ 62,584,209

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was \$171,773.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$171,773, \$157,406, and \$228,743, respectively. The fiscal year 2017 amount has been reported as pension obligation payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio 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 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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).

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	\$ 4,362,883
Net adjustment for revenue accruals	(286,301)
Net adjustment for expenditure accruals	(887,593)
Net adjustment for other sources/uses	(133,309)
Funds budgeted elsewhere	51,711
Adjustment for encumbrances	1,522,340
GAAP basis	\$ 4,629,731

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017.

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. Foundation Funding

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the District.

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, 2017.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17 - SET-ASIDES - (Continued)

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	830,815
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,897,391)
Excess qualified expenditures from prior years	-
Current year offsets	(1,251,019)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (2,317,595)</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 769,679
Other governmental	<u>287,935</u>
Total	<u>\$ 1,057,614</u>

NOTE 19 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Other governments entered into property tax abatement agreements with property owners under the Enterprise Zone Agreement ("EZA") program with the taxing districts of the District. The EZA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the other governments designated areas to encourage revitalization of the existing housing stock and the development of new structures. Within the taxing districts of the District, the City of Warren has entered into such agreements. Under these agreements, the District's property taxes were reduced by \$63,215. The District is not receiving any amounts from these other governments in association with the forgone property tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.30236630%	0.29934440%	0.30179600%	0.30179600%
District's proportionate share of the net pension liability	\$ 22,130,423	\$ 17,080,882	\$ 15,273,724	\$ 17,946,840
District's covered payroll	\$ 9,410,507	\$ 9,011,829	\$ 8,769,610	\$ 8,351,055
District's proportionate share of the net pension liability as a percentage of its covered payroll	235.17%	189.54%	174.17%	214.91%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

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

LAST FOUR FISCAL YEARS (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.25876734%	0.25283573%	0.25280771%	0.25280771%
District's proportionate share of the net pension liability	\$ 86,617,229	\$ 69,876,400	\$ 61,491,584	\$ 73,248,373
District's covered payroll	\$ 27,613,857	\$ 26,677,657	\$ 25,829,962	\$ 28,375,285
District's proportionate share of the net pension liability as a percentage of its covered payroll	313.67%	261.93%	238.06%	258.14%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,370,738	\$ 1,317,471	\$ 1,187,759	\$ 1,215,468
Contributions in relation to the contractually required contribution	<u>(1,370,738)</u>	<u>(1,317,471)</u>	<u>(1,187,759)</u>	<u>(1,215,468)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,790,986	\$ 9,410,507	\$ 9,011,829	\$ 8,769,610
Contributions as a percentage of covered payroll	14.00%	14.00%	13.18%	13.86%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,155,786	\$ 1,177,431	\$ 1,096,086	\$ 1,147,647	\$ 782,067	\$ 749,283
<u>(1,155,786)</u>	<u>(1,177,431)</u>	<u>(1,096,086)</u>	<u>(1,147,647)</u>	<u>(782,067)</u>	<u>(749,283)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,351,055	\$ 8,754,134	\$ 8,719,857	\$ 8,475,975	\$ 7,947,835	\$ 7,630,173
13.84%	13.45%	12.57%	13.54%	9.84%	9.82%

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

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

LAST TEN FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,902,110	\$ 3,865,940	\$ 3,734,872	\$ 3,357,895
Contributions in relation to the contractually required contribution	<u>(3,902,110)</u>	<u>(3,865,940)</u>	<u>(3,734,872)</u>	<u>(3,357,895)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,872,214	\$ 27,613,857	\$ 26,677,657	\$ 25,829,962
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%

2013	2012	2011	2010	2009	2008
\$ 3,688,787	\$ 3,929,104	\$ 3,907,441	\$ 3,871,851	\$ 3,804,849	\$ 3,676,130
<u>(3,688,787)</u>	<u>(3,929,104)</u>	<u>(3,907,441)</u>	<u>(3,871,851)</u>	<u>(3,804,849)</u>	<u>(3,676,130)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 28,375,285	\$ 30,223,877	\$ 30,057,238	\$ 29,783,469	\$ 29,268,069	\$ 28,277,923
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

December 26, 2017

To the Board of Education and Management
Warren City School District
Trumbull County, Ohio
105 High Street North East
Warren, OH 44481

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Warren City School District, Trumbull County, Ohio (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hea & Associates, Inc.

New Philadelphia, Ohio

December 26, 2017

To the Board of Education
Warren City School District
Trumbull County, Ohio
105 High Street North East
Warren, OH 44481

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited Warren City School District's, Trumbull County, Ohio (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warren City School District, Trumbull County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to 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.

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

Hea & Associates, Inc.

New Philadelphia, Ohio

Warren City School District
Trumbull County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor Program Title	Grant Year/ Direct Award No.	CFDA Number	Federal Expenditures	Amounts Paid to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I:</i>				
Title I Grants to Local Educational Agencies	2016	84.010	\$ 855,881	\$ 0
Title I Grants to Local Educational Agencies	2017	84.010	3,297,138	0
Title I - School Improvement	2016	84.010	17,501	0
Title I - School Improvement	2017	84.010	290,919	0
Title I Neglected	2016	84.010	4,197	0
Title I Neglected	2017	84.010	43,460	0
Title I Delinquent	2016	84.010	57	0
Title I Delinquent	2017	84.010	37,856	0
Total Title I			<u>4,547,009</u>	<u>0</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	2016	84.027	291,092	0
Special Education - Grants to States	2017	84.027	1,207,115	0
Total Special Education - Grants to States			<u>1,498,207</u>	<u>0</u>
<i>Total Special Education Cluster:</i>			<u>1,498,207</u>	<u>0</u>
21st Century Community Learning Centers	2016	84.287	5,763	0
21st Century Community Learning Centers	2017	84.287	83,632	0
Total 21st Century Community Learning Centers			<u>89,395</u>	<u>0</u>
Title II-A - Improving Teacher Quality	2016	84.367	73,619	0
Title II-A - Improving Teacher Quality	2017	84.367	380,643	0
Total Title II-A - Improving Teacher Quality			<u>454,262</u>	<u>0</u>
Total U.S. Department of Education			<u>6,588,873</u>	<u>0</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
<i>Non-Cash Assistance (Food Distribution):</i>				
School Breakfast Program	2017	10.553	79,070	0
National School Lunch Program	2017	10.555	168,025	0
<i>Non-Cash Assistance Subtotal</i>			<u>247,095</u>	<u>0</u>
<i>Cash Assistance:</i>				
School Breakfast Program	2017	10.553	1,180,248	0
National School Lunch Program	2017	10.555	2,617,089	0
Summer Food Service Program	2017	10.559	233,640	0
<i>Cash Assistance Subtotal</i>			<u>4,030,977</u>	<u>0</u>
<i>Total Child Nutrition Cluster</i>			<u>4,278,072</u>	<u>0</u>
Fresh Fruit and Vegetable	2017	10.582	219,953	0
Team Nutrition	2017	10.574	4,200	0
Total U.S. Department of Agriculture			<u>4,502,225</u>	<u>0</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 11,091,098</u>	<u>\$ 0</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Warren City School District
Trumbull County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2CFR 200.510(b)(6)
For the Fiscal Year Ended June 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Warren City School District (the District) under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - 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 D – FOOD DONATION PROGRAM

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

Warren City School District
Trumbull County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster: School Breakfast Program School Lunch Program Summer Food Service Program	CFDA # 10.553 10.555 10.559
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

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

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Dave Yost • Auditor of State

WARREN CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 22, 2018