

Warren Consolidated Schools

**Financial Report
with Supplemental Information
June 30, 2011**

Warren Consolidated Schools

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Independent Auditor's Report

To the Board of Education
Warren Consolidated Schools

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

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

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

During the year, the School District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 1. As a result of this required implementation, the Athletic Fund and the Bookstore Fund, previously classified as special revenue funds, are now reported as a part of the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Warren Consolidated Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren Consolidated Schools' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated November 8, 2010 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Alente & Morse, PLLC

November 8, 2010

Warren Consolidated Schools

Management's Discussion and Analysis

This section of Warren Consolidated Schools' (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the years ended June 30, 2011 and 2010. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warren Consolidated Schools financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds, the General Fund, the 2010 Bond Issue Series A Capital Projects Fund, and the 2010 Bond Issue Series B Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statements, the internal service fund statement of net assets, statement of revenue, expenses, and changes in net assets, statement of cash flows, and the statement of fiduciary assets and liabilities, present financial information about activities for which the School District provides services to other funds and acts solely as an agent for the benefit of students and parents. Below is an outline of the report format:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for the General Fund

Other Supplemental Information

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided, student achievement, and the safety of the schools, in order to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, food services, enrichment, student stores, capital projects, debt retirement, and internal services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The funds of the School District use the following accounting approaches:

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

- **Governmental Funds** - Most of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. These balances are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the 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 the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.
- **Proprietary Fund - Internal Service Fund** - The purpose of the Internal Service Fund is to finance certain services provided to other funds on a cost-reimbursement basis. The School District maintains this fund for accrued compensated absences and risk liabilities. It is funded through charges to and transfers from the General Fund and Nutrition Services Fund.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2011 and 2010:

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Table I

	Governmental Activities	
	2011	2010
	(in millions)	
Assets		
Current and other assets	\$ 91.7	\$ 103.7
Property and equipment	<u>172.2</u>	<u>160.7</u>
Total assets	263.9	264.4
Liabilities		
Current liabilities	52.5	43.3
Long-term liabilities	<u>144.5</u>	<u>160.4</u>
Total liabilities	<u>197.0</u>	<u>203.7</u>
Net Assets		
Invested in property and equipment - Net of related debt	39.1	36.0
Restricted	5.5	7.4
Unrestricted	<u>22.3</u>	<u>17.3</u>
Total net assets	<u>\$ 66.9</u>	<u>\$ 60.7</u>

The School District's net assets were \$66.9 million and \$60.7 million at June 30, 2011 and 2010, respectively. Capital assets net of related debt, totaling \$39.1 million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$22.3 million) was unrestricted.

The \$22.3 million in unrestricted net assets of governmental activities represent the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund have an impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2011 and 2010:

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Table 2

	Governmental Activities	
	2011	2010
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 4.1	\$ 4.0
Operating grants/contributions	25.4	24.6
General revenue:		
Property taxes	56.6	58.1
State foundation allowance	98.3	92.4
Unrestricted federal funding	5.0	4.4
Interest and investment earnings	0.4	0.2
Net (loss) gain on disposal of capital assets	(0.1)	0.1
Other	2.1	1.5
Total revenue	191.8	185.3
Functions/Program Expenses		
Instruction	97.8	100.9
Support services	64.2	62.5
Bookstore activities	-	0.1
Athletics	2.3	2.2
Food services	6.2	6.0
Community services	0.8	0.7
Interest on long-term debt	7.8	5.6
Depreciation (unallocated)	6.5	6.2
Total functions/program expenses	185.6	184.2
Increase in Net Assets	\$ 6.2	\$ 1.1

As reported in the statement of activities, the cost of all School District activities this year was \$185.6 million. Certain activities were partially funded from those who benefited from the programs (\$4.1 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$25.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$56.6 million in taxes, \$98.3 million in state foundation allowance, \$5.0 million in unrestricted federal funding, and with our other revenue (i.e., interest and general entitlements). Overall, the amount of revenue from funding sources exceeded the cost of activities by \$6.2 million, resulting in a corresponding increase in net assets.

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Property taxes and the state foundation allowance constitute the majority of School District operating revenue sources. In its mission to provide a quality education for its students, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with available funding resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

At June 30, 2011, the School District's funds reported a combined fund balance of \$54.6 million, a decrease of \$17.4 million from June 30, 2010. The primary reasons for the decrease are as follows:

- In the General Fund, the School District's principal operating fund, fund balance increased \$4.5 million to \$22.2 million. The fund balance of the General Fund is available to pay for expenditures related to allowable school operating activities.
- In the combined school service funds, fund balance decreased \$0.1 million to \$0.3 million due to an indirect cost transfer from the nutrition services program to the General Fund.
- Overall, the fund balance of the combined capital projects funds decreased approximately \$20.5 million. The School District continued projects related to the 2010 Series A and the 2010 Series B bond issues. These bonds were issued in accordance with state law and are being used for critical needs such as parking lots, roofs, and technology. Interest on these bonds is subsidized by the federal government. Capital projects expenditures were approximately \$20.1 million. The capital projects funds are comprised of seven funds; two of which are considered major funds. Financial statements for the five nonmajor funds may be found in the other supplemental information section of this report.
- For the debt service funds, the combined fund balance decreased \$1.4 million.

General Fund Budgetary Highlights

The fiscal 2011 original budget, which was completed at the end of the prior fiscal year, reflected certain assumptions for enrollment, state aid, grant funding, staffing, and other expenditures. Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The budget was amended two times during the year to reflect the most recent available information. The final amendment to the budget was adopted just before year end.

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Budgeted total revenue increased by approximately \$4.5 million and budgeted total expenditures increased by approximately \$1.3 million. The revision to budgeted revenue was primarily due to higher than expected enrollment, higher state funding per pupil than initially estimated, an increase in federal grants, and the availability of additional federal stimulus revenue. The increase in budgeted expenditures is due to an increase in staffing to accommodate the increase in enrollment, an increase in expenses associated with the increase in federal grant revenue, and an increase in the state retirement rate. The expense increases were partially offset by lower staffing costs as a result of the retirement incentive offered by the State of Michigan during the summer of 2010 where teachers at the high end of the salary scale retired and were replaced by new teachers whose starting salary is at the low end of the scale.

Actual General Fund revenue exceeded actual expenditures for the year ended June 30, 2011 by \$4.5 million. The final amended budget showed an operating deficit of \$1.3 million. The favorable variance is due primarily to lower than expected healthcare expenses in the School District's self-funded healthcare plans and a spending freeze implemented in April 2011.

A schedule showing the School District's original and final budget amounts compared with actual results is provided in the required supplemental information section of this financial report.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011 and 2010, the School District had \$276.6 million and \$259.7 million, respectively, invested in a broad range of capital assets, including land, buildings, improvements, buses, vehicles, furniture, and equipment.

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 3,848,086	\$ 3,848,086
Buildings	168,753,316	168,753,316
Site improvements	55,217,348	49,542,825
Buses and other vehicles	10,742,147	10,247,949
Furniture and equipment	26,017,908	25,578,644
Construction in progress	<u>12,030,701</u>	<u>1,743,456</u>
Total capital assets	<u>\$ 276,609,506</u>	<u>\$ 259,714,276</u>

This year's additions of \$18.1 million included technology, land, building and site renovations, and buses. These additions were paid for with a portion of the 2010 Series A and B bond issues, the Sinking Fund, and General Fund monies.

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

Several major capital projects are planned for the 2011-2012 fiscal year. We anticipate capital additions will be approximately the same as the 2010-2011 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$157.6 million in general obligation bonds outstanding versus \$168.6 million in the previous year.

The School District's general obligation debt was rated AA by Standard & Poor's per the most recent review in June 2011. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues qualified debt, i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt of \$157.6 million is significantly below this statutorily imposed limit.

Other long-term obligations include accrued compensated absences, risk liabilities, post-employment retiree healthcare benefits, amortizable bond issue premiums and discounts, a capital lease, and an installment purchase agreement. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budget

The following factors will affect the School District in the future and were considered in preparing the School District's budget for the 2012 fiscal year:

The School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund. The actual revenue received depends on the State's ability to collect revenue to fund its appropriation to school districts. The School District's Board of Education and administration consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Over 85 percent of the School District's revenue is derived from the State of Michigan's student enrollment-based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "foundation allowance"). The blended count for fiscal year 2012 is based on 10 percent of the February 2011 count plus 90 percent of the October 2011 count. The sum of these products is multiplied by the foundation allowance for fiscal year 2012 of \$8,856. The School District also levies a supplemental millage equivalent to \$1,082 per pupil.

The 2012 budget was adopted in June 2011 and projected deficit spending of \$8,466,000. In the development of the budget, the School District solicited input of stakeholders throughout the community to arrive at a list of cost-saving and revenue enhancement suggestions totaling \$10.0 million and one-time (nonstructural) changes of \$1.0 million. These suggestions are reflected in the budget.

Warren Consolidated Schools

Management's Discussion and Analysis (Continued)

The budget contains assumptions, including the number of students that will be enrolled in October 2011. Based on the October 2011 preliminary (unaudited) student count, the October student count will be below the estimated count used in the original 2012 budget adopted by the board. Subsequent to the adoption of the budget, the Michigan Legislature passed a State Aid Bill which will provide additional one-time funding of \$118 per pupil to offset a portion of the increase in the state retirement rate which the School District must pay on behalf of its employees. In addition, the legislation provided an incentive payment equivalent to \$100 per pupil for districts that meet certain best practices criteria. The School District is in the process of determining if it qualifies for this incentive. These two additional funding sources are not reflected in the budget.

In September 2011, the School District added teaching staff to address certain situations where class sizes exceeded targeted levels. The added expense attributable to the staff increase will be paid for with funds from the 2011 operating surplus.

A revised budget will be prepared as soon as practical and will include any known adjustments to the original assumptions. The Board of Education is committed to offering quality educational programs while being fiscally responsible.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the chief financial officer, 31300 Anita Drive, Warren, MI 48093.

Warren Consolidated Schools

Statement of Net Assets June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and investments (Note 3)	\$ 23,850,457
Receivables (Note 4):	
Taxes receivable	2,585,119
Accounts receivable	606,053
Due from other governmental units	25,143,268
Accrued interest receivable	290,973
Inventories	362,540
Prepaid costs and other assets	1,632,616
Restricted assets (Note 8)	37,327,056
Capital assets - Net (Note 5)	<u>172,171,786</u>
Total assets	263,969,868
Liabilities	
Accounts payable	9,779,289
Accrued payroll-related liabilities	13,937,808
Other accrued liabilities	1,608,950
Due to other governmental units	1,724,260
Deferred revenue (Note 4)	2,544,819
Long-term liabilities (Note 7):	
Due within one year	17,830,228
Due in more than one year	<u>149,594,086</u>
Total liabilities	<u>197,019,440</u>
Net Assets	
Invested in capital assets - Net of related debt	39,135,416
Restricted:	
Debt service	4,148,105
Capital projects	1,104,769
Nutrition service	270,734
Unrestricted	<u>22,291,404</u>
Total net assets	<u><u>\$ 66,950,428</u></u>

Warren Consolidated Schools

Statement of Activities Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue		Governmental
		Charges for Services	Operating Grants and Contributions	Activities
				Net (Expense) Revenue and Changes in Net Assets
Primary government - Governmental activities:				
Instruction	\$ 97,819,691	\$ 626,703	\$ 14,665,345	\$ (82,527,643)
Support services	64,159,954	160,604	6,374,042	(57,625,308)
Athletics	2,291,282	182,949	-	(2,108,333)
Food services	6,198,360	2,418,681	4,171,626	391,947
Community services	841,066	749,598	202,077	110,609
Interest	7,793,001	-	-	(7,793,001)
Depreciation expense (unallocated)	6,452,411	-	-	(6,452,411)
Total primary government	\$ 185,555,765	\$ 4,138,535	\$ 25,413,090	(156,004,140)
General revenue:				
Taxes:				
Property taxes - Levied for general purposes				42,188,924
Property taxes - Levied for debt service				10,239,189
Property taxes - Levied for capital projects				4,191,680
State aid not restricted to specific purposes				98,255,094
Federal sources - Unrestricted				5,046,830
Interest and investment earnings				371,927
Loss on the disposal of capital assets				(63,162)
Other				2,010,722
Total general revenue				162,241,204
Change in Net Assets				6,237,064
Net Assets - Beginning of year				60,713,364
Net Assets - End of year				\$ 66,950,428

Warren Consolidated Schools

Governmental Funds Balance Sheet June 30, 2011

	General Fund	2010 Bond Issue Series A Capital Projects Fund	2010 Bond Issue Series B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 22,350,371	\$ -	\$ -	\$ 1,348,096	\$ 23,698,467
Receivables (Note 4)	27,657,444	207,835	83,138	676,996	28,625,413
Due from other funds (Note 6)	189,787	-	-	2,494,175	2,683,962
Inventories	282,274	-	-	80,266	362,540
Prepaid costs and other assets	1,632,616	-	-	-	1,632,616
Restricted cash and investments (Note 8)	-	22,229,941	10,000,114	5,097,001	37,327,056
Total assets	\$ 52,112,492	\$ 22,437,776	\$ 10,083,252	\$ 9,696,534	\$ 94,330,054
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,294,092	\$ 5,260,421	\$ 2,078,849	\$ 48,602	\$ 9,681,964
Accrued payroll-related liabilities	13,937,808	-	-	-	13,937,808
Other accrued liabilities	586,828	-	-	1,275	588,103
Due to other governmental units	1,724,260	-	-	-	1,724,260
Due to other funds (Note 6)	6,778,138	1,925	-	1,846,061	8,626,124
Deferred revenue (Note 4)	4,573,947	-	-	562,891	5,136,838
Total liabilities	29,895,073	5,262,346	2,078,849	2,458,829	39,695,097
Fund Balances					
Nonspendable:					
Inventory	282,274	-	-	80,266	362,540
Prepaid assets	1,632,616	-	-	-	1,632,616
Restricted:					
Capital projects	-	17,175,430	8,004,403	1,104,769	26,284,602
Debt service	-	-	-	4,148,105	4,148,105
Food service	-	-	-	190,468	190,468
Committed -					
Capital projects	-	-	-	1,714,097	1,714,097
Unassigned	20,302,529	-	-	-	20,302,529
Total fund balances	22,217,419	17,175,430	8,004,403	7,237,705	54,634,957
Total liabilities and fund balances	\$ 52,112,492	\$ 22,437,776	\$ 10,083,252	\$ 9,696,534	\$ 94,330,054

Warren Consolidated Schools

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds \$ 54,634,957

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

Cost of capital assets	\$ 276,609,506	
Accumulated depreciation	<u>(104,437,720)</u>	172,171,786

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable, including premium and deferred charges and installment purchase agreements	(158,581,265)	
Capital lease obligation	(31,949)	
Postemployment benefits other than pension	<u>(2,814,420)</u>	(161,427,634)

Accrued interest payable is not included as a liability in governmental funds (1,020,847)

Taxes receivable not available to pay current period expenditures are deferred in the governmental funds 2,592,019

Internal Service Fund assets and liabilities are included in governmental activities in the statement of net assets 147

Net Assets of Governmental Activities **\$ 66,950,428**

Warren Consolidated Schools

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	2010 Bond Issue Series A Capital Projects Fund	2010 Bond Issue Series B Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Local sources	\$ 43,905,555	\$ 195,638	\$ 86,973	\$ 17,875,980	\$ 62,064,146
State sources	107,340,882	-	-	273,289	107,614,171
Federal sources	11,372,372	-	-	5,365,292	16,737,664
Governmental - Intergovernmental	4,291,972	-	-	-	4,291,972
Total revenue	166,910,781	195,638	86,973	23,514,561	190,707,953
Expenditures					
Current:					
Instruction	98,060,277	-	-	430,940	98,491,217
Support services	59,889,015	14,911	6,473	482,884	60,393,283
Athletics	2,291,282	-	-	-	2,291,282
Food services	-	-	-	6,198,360	6,198,360
Community services	428,558	-	-	412,508	841,066
Debt service:					
Principal	1,410,619	-	-	9,915,370	11,325,989
Interest	154,422	-	-	8,055,895	8,210,317
Capital outlay	304,619	14,504,754	5,192,640	386,296	20,388,309
Total expenditures	162,538,792	14,519,665	5,199,113	25,882,253	208,139,823
Excess of Revenue Over (Under) Expenditures	4,371,989	(14,324,027)	(5,112,140)	(2,367,692)	(17,431,870)
Other Financing Sources (Uses)					
Transfers in	320,000	-	-	412,695	732,695
Transfers out	(166,552)	-	(237,619)	(328,524)	(732,695)
Total other financing sources (uses)	153,448	-	(237,619)	84,171	-
Net Change in Fund Balances	4,525,437	(14,324,027)	(5,349,759)	(2,283,521)	(17,431,870)
Fund Balances - Beginning of year (as restated) (Note 1)	17,691,982	31,499,457	13,354,162	9,521,226	72,066,827
Fund Balances - End of year	\$ 22,217,419	\$ 17,175,430	\$ 8,004,403	\$ 7,237,705	\$ 54,634,957

The Notes to Financial Statements are an
Integral Part of this Statement.

Warren Consolidated Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (17,431,870)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	\$ (6,452,411)
Capitalized capital outlay	<u>18,055,166</u>
	11,602,755
Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of carrying value of the disposed assets	(118,522)
Revenue is reported in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	1,203,251
Underwriter's premium (discount) reported as revenue (expenditure) in the funds and amortized in the statement of activities over the life of the corresponding bond issue	436,987
Repayment of bond principal, installment purchase agreement, and capital lease is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	11,346,186
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(19,671)
Voluntary separation incentive and other postemployment benefit liabilities are recorded when earned or actuarially determined, respectively, in the statement of activities. They are not reported in the governmental funds until paid	(782,199)
Internal service funds are included as part of governmental activities	<u>147</u>
Change in Net Assets of Governmental Activities	<u>\$ 6,237,064</u>

Warren Consolidated Schools

Proprietary Fund - Internal Service Fund Statement of Net Assets June 30, 2011

Assets - Current assets	
Cash and investments (Note 3)	\$ 151,990
Due from other funds (Note 6)	<u>5,844,837</u>
Total assets	5,996,827
Liabilities	
Current liabilities:	
Accrued compensated absences (Note 7)	1,092,000
Provision for uninsured losses and liabilities (Notes 7 and 9)	<u>3,993,012</u>
Total current liabilities	5,085,012
Noncurrent liabilities:	
Accrued compensated absences (Note 7)	468,000
Provision for uninsured losses and liabilities (Notes 7 and 9)	<u>443,668</u>
Total noncurrent liabilities	<u>911,668</u>
Total liabilities	<u>5,996,680</u>
Net Assets - Unrestricted	<u><u>\$ 147</u></u>

Warren Consolidated Schools

Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

Operating Revenue - Charges for services	\$ 16,818,866
Operating Expenses - Cost of claims - Net of reserve adjustments	<u>16,818,866</u>
Operating Loss	-
Nonoperating Revenue - Interest	<u>147</u>
Change in Net Assets	147
Net Assets - Beginning of year	<u>-</u>
Net Assets - End of year	<u>\$ 147</u>

Warren Consolidated Schools

Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2011

Cash Flows from Operating Activities	
Receipts from General Fund and School Nutrition Fund for charges for services	\$ 16,631,046
Benefits and claims paid	<u>(16,631,046)</u>
Net cash used in operating activities	-
Cash Flows from Investment Activities -	
Interest received on investments	<u>147</u>
Net Increase in Cash and Investments	147
Cash and Investments - Beginning of year	<u>151,843</u>
Cash and Investments - End of year	<u><u>\$ 151,990</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ -
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Due from other funds	(187,821)
Accrued compensated absences	100,000
Provision for uninsured losses and liabilities	<u>87,821</u>
Net cash from operating activities	<u><u>\$ -</u></u>

Warren Consolidated Schools

Fiduciary Fund Student Activities (Agency) Fund Statement of Fiduciary Assets and Liabilities June 30, 2011

Assets

Cash and investments (Note 3)	\$ 997,754
Due from other funds (Note 6)	<u>163,945</u>
Total assets	<u><u>\$ 1,161,699</u></u>

Liabilities

Accounts payable	\$ 6,720
Due to student activities	1,088,359
Due to other funds (Note 6)	<u>66,620</u>
Total liabilities	<u><u>\$ 1,161,699</u></u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note I - Nature of Business and Significant Accounting Policies

The accounting policies of Warren Consolidated Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the School District's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the School District's policy to spend funds in this order: committed, assigned, and unassigned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2010 Building and Site Series A and B Capital Projects Funds - The 2010 Building and Site Series A and B Capital Projects Funds are used to record bond proceeds or other revenue and expenditures related to monies specifically designated for renovating, remodeling, and improving School District facilities.

Additionally, the School District reports the following fund types:

The School District's school service funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's school service funds include the Nutrition Service and Community Service Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

The School District's debt service funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on long-term debt.

The School District's capital projects funds are used for various purposes. The 2001 Unlimited Capital Projects Fund, 2003 School Improvement Capital Projects Fund, and 2001 Sinking Capital Projects Fund are used to record bond proceeds or other revenue and expenditures related to monies specifically designated for renovating, remodeling, and improving existing School District facilities. The Building and Site Fund is used to record revenue and the disbursement of invoices specifically designated for buildings, equipment, and for remodeling and repairs. These funds operate until the purpose for which they were created is accomplished.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

The School District's proprietary fund is the Internal Service Fund. The purpose of the Internal Service Fund is to finance services provided to other funds on a cost reimbursement basis. The Internal Service Fund maintained by the School District is for accrued compensated absences and risk liabilities. It is funded by user charges from the General and Nutrition Service Funds.

The School District's only fiduciary fund is the Activities (Agency) Fund. This fund is used to account for assets held by the School District in a trustee capacity or as an agent, is custodial in nature (assets equal liabilities), and does not involve the measurement of results of operations. The Activities (Agency) Fund currently maintained by the School District records the transactions of student groups for school and school-related purposes. The funds are segregated and held in a trust for the students.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Properties located in the cities of Troy and Sterling Heights are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year and are due September 1. Properties located in the City of Warren are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 of the following year for approximately 50 percent of the taxes that are due on August 1 and December 1 for the remainder of the property taxes that are due on January 31. The final collection date for all properties is February 28, at which time they are added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Restricted Assets - The unspent bond proceeds and related interest of the capital projects funds require amounts to be set aside for construction. Revenue from property tax collections in the debt service funds is required to be set aside for future repayments of bonded indebtedness. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, site improvements, buses and other vehicles, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets (i.e., roads, sewers, bridges, etc.).

Buildings, site improvements, buses and other vehicles, and furniture and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20 to 50 years
Site improvements	10 to 20 years
Buses and other vehicles	8 to 15 years
Furniture and other equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual balances for employee sick leave days and accrued vacation. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Fund Balance - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The School District implemented GASB No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the Board of Education for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Board of Education.
- **Assigned:** Intent to spend resources on specific purposes expressed by the Board of Education or superintendent, who is authorized by policy approved by the Board of Education to make assignments
- **Unassigned:** Remaining amounts of fund balance that have not been restricted, committed, or assigned for specific purposes

The Board of Education has adopted a fund balance policy. The fund balance policy proscribes the minimum fund balance as 12 percent of expenditures in the General Fund. This is deemed to be the prudent amount to maintain the School District's ability to meet obligations as they come due throughout the year. If the fund balance declines below 12 percent, it shall be recovered at a rate of one-half of 1 percent minimally, each year.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Accounting Change - Effective July 1, 2010, the School District implemented the provisions of Governmental Accounting Standards Board Statement No. 54. In addition to the changes to fund balance discussed above, the School District changed its presentation of the athletics and bookstore activity in the governmental funds. Previously, the athletics and bookstore functions were reported as special revenue funds. With the adoption of GASB No. 54, the activities no longer met the criteria to be classified as special revenue funds and the activities are now reported in the General Fund. The July 1, 2010 fund balance of the General Fund was restated to include the July 1, 2010 Bookstore Fund fund balance of \$35,341. The Athletics Fund did not have a fund balance as of June 30, 2010.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds and payments have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Significant adjustments to federal and state source revenue were needed to reflect changes in current funding, unknown at the time of the original budget.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Sinking Funds - The Sinking Fund capital projects fund records capital project activities funded with a Sinking Fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the *Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan*.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 13 banks for the deposit of its funds, three of which actually held School District funds as of June 30, 2011.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of approximately \$28,501,000 included \$27,751,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the School District's investment policy. The School District does not have investments with custodial credit risk.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Michigan Liquid Asset Fund	\$ 3,703,607	N/A	AAAm	S&P
Bank investment pool	4,466,128	N/A	A1/P1	S&P/Moody's
Federal Home Loan Bank	12,573,719	11/21/2012	AAA/Aaa	S&P/Moody's
Federal National Mortgage Association	7,804,382	7/30/12	AAA/Aaa	S&P/Moody's
Federal Home Loan Mortgage Corporation	7,569,429	12/21/12	AAA/Aaa	S&P/Moody's
Equity securities	<u>540,451</u>	N/A	N/A	N/A
Total	<u>\$ 36,657,716</u>			

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 4 - Receivables and Deferred Revenue

The School District has included its receivable for state aid in due from other governmental units. The state aid receivable totals approximately \$19,442,000. The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Receivables as of year end for the School District's major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	2010 Bond Issue Series A Capital Projects Fund	2010 Bond Issue Series B Capital Projects Fund	Nonmajor Funds	Total
Receivables:					
Taxes	\$ 2,035,984	\$ -	\$ -	\$ 549,135	\$ 2,585,119
Accounts and other	479,159	-	-	126,894	606,053
Accrued interest receivable	-	207,835	83,138	-	290,973
Due from other governmental units	25,142,301	-	-	967	25,143,268
Total receivables	<u>\$ 27,657,444</u>	<u>\$ 207,835</u>	<u>\$ 83,138</u>	<u>\$ 676,996</u>	<u>\$ 28,625,413</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds	
	Unavailable	Unearned
Delinquent property taxes	\$ 2,530,509	\$ -
Other accounts receivable not considered available to liquidate liabilities of the current period	61,510	-
Other payments received prior to meeting all eligibility requirements	-	119,965
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	2,424,854
Total	<u>\$ 2,592,019</u>	<u>\$ 2,544,819</u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2010	Additions/ Transfers	Disposals	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,848,086	\$ -	\$ -	\$ 3,848,086
Construction in progress	1,743,456	10,287,245	-	12,030,701
Subtotal	5,591,542	10,287,245	-	15,878,787
Capital assets being depreciated:				
Land improvements	49,542,825	5,674,523	-	55,217,348
Buildings and improvements	168,753,316	-	-	168,753,316
Furniture and equipment	25,578,644	439,264	-	26,017,908
Buses and other vehicles	10,247,949	1,654,134	1,159,936	10,742,147
Subtotal	254,122,734	7,767,921	1,159,936	260,730,719
Accumulated depreciation:				
Land improvements	23,128,621	2,097,434	-	25,226,055
Buildings and improvements	49,351,071	2,516,891	-	51,867,962
Furniture and equipment	19,488,375	1,056,498	-	20,544,873
Buses and other vehicles	7,058,656	781,588	1,041,414	6,798,830
Subtotal	99,026,723	6,452,411	1,041,414	104,437,720
Net capital assets being depreciated	155,096,011	1,315,510	118,522	156,292,999
Net capital assets	<u>\$ 160,687,553</u>	<u>\$ 11,602,755</u>	<u>\$ 118,522</u>	<u>\$ 172,171,786</u>

Depreciation expense was not allocated to governmental activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Construction Commitments - The School District has active construction projects at year end. For each bond issue listed below, the School District's cumulative expenditures and remaining commitments with contractors as of June 30, 2011 are as follows:

	Spent to Date	Remaining Commitment
2010 Bond Issue Series A	\$ 15,118,127	\$ 11,735,325
2010 Bond Issue Series B	7,008,582	4,004,027
Total	<u>\$ 22,126,709</u>	<u>\$ 15,739,352</u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From				Total
	General Fund	2010 Bond Issue Series A Capital Projects Fund	Nonmajor Governmental Funds	Activities (Agency) Fund	
General Fund	\$ -	\$ 1,925	\$ 121,242	\$ 66,620	\$ 189,787
Nonmajor governmental funds	806,293	-	1,687,882	-	2,494,175
Internal Service Fund	5,807,900	-	36,937	-	5,844,837
Activities (Agency) Fund	163,945	-	-	-	163,945
Total	\$ 6,778,138	\$ 1,925	\$ 1,846,061	\$ 66,620	\$ 8,692,744

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - Transfers provided funding (1) to maintain programs for students, (2) to fulfill bond issuance requirements, and (3) to transfer remaining 2003 School Improvement Capital Project Fund funds to the Building and Site Fund.

Transfer To	Transfer From			Total
	General Fund	2010 Bond Issue Series B Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 320,000	\$ 320,000
Nonmajor governmental funds	166,552	237,619	8,524	412,695
Total	\$ 166,552	\$ 237,619	\$ 328,524	\$ 732,695

Note 7 - Long-term Debt

The School District issues bonds and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include postemployment retiree healthcare benefits, voluntary early separation incentive liabilities, compensated absences, and certain risk liabilities.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

Governmental activities long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds	\$ 168,605,000	\$ -	\$ 10,975,000	\$ 157,630,000	\$ 11,365,000
Plus deferred amounts:					
Issuance discounts	(1,155,710)	-	(78,250)	(1,077,460)	(78,250)
Issuance premiums	2,178,900	-	515,237	1,663,663	172,048
Total bonds payable	169,628,190	-	11,411,987	158,216,203	11,458,798
Installment purchase agreement	716,051	-	350,989	365,062	365,062
Capital lease	52,146	-	20,197	31,949	21,356
Voluntary early separation incentives	165,000	-	165,000	-	-
Postemployment retiree healthcare benefits	1,867,221	1,433,528	486,329	2,814,420	900,000
Compensated absences	1,460,000	1,441,346	1,341,346	1,560,000	1,092,000
Risk liabilities	4,348,859	15,404,040	15,316,219	4,436,680	3,993,012
Total governmental activities	<u>\$ 178,237,467</u>	<u>\$ 18,278,914</u>	<u>\$ 29,092,067</u>	<u>\$ 167,424,314</u>	<u>\$ 17,830,228</u>

Interest expenditures at the governmental fund level totaled approximately \$8,210,000 for the year ended June 30, 2011.

Annual debt service requirements to maturity for the above governmental activities' bond obligations are as follows:

Years Ending June 30	Governmental Activities				
	Principal	Interest	Interest Subsidy	Net Interest	Total - Net
2012	\$ 11,365,000	\$ 7,993,818	\$ (1,595,505)	\$ 6,398,313	\$ 17,763,313
2013	6,595,000	7,475,593	(1,595,505)	5,880,088	12,475,088
2014	7,485,000	7,190,756	(1,595,505)	5,595,251	13,080,251
2015	6,910,000	6,907,818	(1,589,259)	5,318,559	12,228,559
2016	7,240,000	6,606,143	(1,581,821)	5,024,322	12,264,322
2017-2021	41,190,000	27,588,133	(7,742,983)	19,845,150	61,035,150
2022-2026	37,950,000	17,973,431	(7,252,896)	10,720,535	48,670,535
2027-2031	27,895,000	7,049,175	(2,942,744)	4,106,431	32,001,431
2032-2035	11,000,000	1,865,950	(653,083)	1,212,867	12,212,867
Total	<u>\$ 157,630,000</u>	<u>\$ 90,650,817</u>	<u>\$ (26,549,301)</u>	<u>\$ 64,101,516</u>	<u>\$ 221,731,516</u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

General obligation bonds consist of the following at June 30, 2011:

\$65,350,000 serial bonds due in annual installments of \$1,025,000 to \$4,025,000 through May 1, 2022; interest at 4.10% to 5.375%	\$ 11,840,000
\$27,335,000 serial bonds due in annual installments of \$1,050,000 to \$1,300,000 through May 1, 2022; interest at 3.5% to 5.00%	12,925,000
\$36,820,000 serial bonds due in annual installments of \$1,370,000 to \$3,120,000 through May 1, 2021; interest at 4.0% to 5.25%	27,810,000
\$29,670,000 serial bonds due in one remaining annual installment of \$4,450,000 on May 1, 2012; interest at 5.00%. The bonds will be retired with Sinking Fund resources	4,450,000
\$5,105,000 serial bonds due in one remaining annual installment of \$695,000 on May 1, 2012; interest at 5.00%. The bonds will be retired with General Fund, Nutrition Services Fund, and grant resources	695,000
\$35,875,000 serial bonds due in annual installments of \$55,000 to \$5,055,000 through May 1, 2026; interest at 4.00% to 5.00%	35,675,000
\$9,995,000 serial bonds due in annual installments of \$1,270,000 to \$3,055,000 through May 1, 2027; interest at 4.00%	9,495,000
\$5,105,000 serial bonds due in one remaining annual installment of \$1,960,000 on May 1, 2012; interest at 3.75%	1,960,000
\$3,125,000 serial bonds due in annual installments of \$760,000 to \$840,000 through May 1, 2014; interest at 2.25% to 5.00%	2,400,000
\$35,380,000 serial bonds due in annual installments of \$605,000 to \$2,825,000 through May 1, 2035; interest at 2.95% to 6.70%. The interest payments made each year by the School District, through maturity, will be subsidized by the federal government (as shown above in the debt service requirements table)	35,380,000
\$15,000,000 term bonds due in a single installment of \$15,000,000 on May 1, 2027; interest at 6.375%. The interest payments made each year by the School District, through maturity, and will be subsidized by the federal government (as shown above in the debt service requirements table)	15,000,000
Total bonded debt	<u>\$ 157,630,000</u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

Advance Refundings

Subsequent to year end, during August 2011, the School District issued \$11,050,000 in general obligation refunding bonds with an average interest rate of 3.9 percent. The proceeds of these bonds were used to advance refund \$11,840,000 of outstanding 2001 Unlimited Tax Bonds with an average interest rate of 4.8 percent. The net proceeds of approximately \$11,869,000 (after payment of approximately \$128,000 in underwriting fees, insurance, and other issuance costs, and an original issue premium of \$947,000) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered defeased and the liability for the bonds will be removed from the School District's long-term obligations in the 2011/2012 fiscal year. The bonds are callable on November 1, 2011. The advance refunding reduced total debt service payments and provided an economic gain of approximately \$655,000.

Prior Bond Defeasance

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2011, \$44,460,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

Restricted cash and investments are comprised of the following at June 30, 2011:

Unspent bond proceeds and related interest	\$ 33,195,421
Property tax collections for repayment of bonded indebtedness	<u>4,131,635</u>
Total restricted assets	<u><u>\$ 37,327,056</u></u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 9 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District participates in the SET-SEG (risk pool) for claims relating to property, casualty, torts, and errors and omissions; the School District is self-insured for workers' compensation and dental claims and is self-insured, up to \$175,000 per claim, for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for workers' compensation, dental, and medical claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements. Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation	Dental and Medical
Estimated liability - June 30, 2009	\$ 629,950	\$ 3,233,957
Estimated claims incurred - Including changes in estimates	698,822	14,802,316
Claim payments - Net of reinsurance refunds	<u>(388,949)</u>	<u>(14,627,237)</u>
Estimated liability - June 30, 2010	939,823	3,409,036
Estimated claims incurred, including changes in estimates	559,550	14,844,490
Claim payments - Net of reinsurance refunds	<u>(637,771)</u>	<u>(14,678,448)</u>
Estimated liability - June 30, 2011	<u>\$ 861,602</u>	<u>\$ 3,575,078</u>

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

Note 10 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 10.13 percent of covered payroll for the period from July 1, 2010 through September 30, 2010 and 12.16 percent for the period from October 1, 2010 through June 30, 2011. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 to 4.3 percent of gross wages, or up to 6.4 percent of gross wages for members entering the MIP Plus plan on or after July 1, 2008. The School District's required and actual contributions to the plan for the years ended June 30, 2011, 2010, and 2009 were approximately \$11,644,000, \$10,394,000, and \$9,945,000, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.81 percent of covered payroll for the period from July 1, 2010 through September 30, 2010, 7.25 percent for the period October 1, 2010 through October 30, 2010, and 8.5 percent for the period from November 1, 2010 through June 30, 2011. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2011, 2010, and 2009 were \$7,939,000, \$7,040,000, and \$6,803,000, respectively.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 11 - Postemployment Benefits Other Than Pension

Plan Description - The School District provides retiree healthcare benefits to eligible retirees. All retirees who elect to continue health coverage through MPSERS are reimbursed by the School District for the unpaid portion of their Blue Cross/Blue Shield or Health Alliance Plan healthcare coverage premiums, for the life of the retiree. Additionally, the School District also provides group life insurance for all qualifying retirees, at various levels of coverage, as determined by the contract under which the retiree was employed. This is a single employer defined benefit plan administered by the School District. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the School District through the General Fund.

Funding Policy - Active plan members are currently not obligated to make contributions to the plan. The School District has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The costs of administering the plan are ultimately borne by the School District's General Fund.

Funding Progress - For the year ended June 30, 2011, the School District estimated the cost of providing retiree healthcare benefits through an actuarial valuation performed as of June 30, 2010. The valuation computed an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,468,787
Interest on the net OPEB obligation	74,689
Less adjustment to the annual required contribution	<u>(109,948)</u>
Annual OPEB cost	1,433,528
Amounts contributed - Payment of current premiums	<u>(486,329)</u>
Increase in net OPEB obligation	947,199
OPEB obligation - Beginning of year	<u>1,867,221</u>
OPEB obligation - End of year	<u><u>\$ 2,814,420</u></u>

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 11 - Postemployment Benefits Other Than Pension (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding year were as follows:

	Fiscal Year Ended June 30	
	2010	2011
Annual OPEB costs	\$ 1,340,705	\$ 1,433,528
Percentage contributed	53.5%	33.9%
Net OPEB obligation	\$ 1,867,221	\$ 2,814,420

The current funding progress of the plan as of the most recent valuation date is as follows:

Market value of assets	\$ -
Actuarial accrued liability (AAL)	14,207,325
Unfunded AAL (UAAL)	14,207,325
Funded ratio	-

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision 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 employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after three years. The UAAL is being amortized using the level dollar amortization method on a closed basis. The remaining amortization period at June 30, 2011 was 27 years.

Warren Consolidated Schools

Notes to Financial Statements June 30, 2011

Note 12 - Contingent Liabilities

The School District is a defendant in various lawsuits arising out of the normal course of operations. Probable outcomes are currently unknown and the current financial exposure to the School District is not readily determinable. The School District will vigorously defend its positions in these lawsuits.

Note 13 - Upcoming Accounting Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the School District's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Required Supplemental Information

Warren Consolidated Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
Revenue				
Local sources	\$ 43,404,000	\$ 43,618,000	\$ 43,905,555	\$ 287,555
State sources	106,993,000	107,449,000	107,340,882	(108,118)
Federal sources	9,282,000	13,208,000	11,372,372	(1,835,628)
Interdistrict and other sources	4,626,000	4,559,000	4,291,972	(267,028)
Total revenue	164,305,000	168,834,000	166,910,781	(1,923,219)
Expenditures - Current				
Instruction:				
Basic program	80,664,000	80,788,000	78,562,218	(2,225,782)
Added needs	20,834,000	21,346,000	19,650,157	(1,695,843)
Adult/Continuing education	110,000	141,000	33,140	(107,860)
Support services:				
Pupil	15,030,000	15,444,000	15,217,268	(226,732)
Instructional staff	5,749,000	6,611,000	6,068,948	(542,052)
General administration	1,031,000	1,025,000	952,235	(72,765)
School administration	11,671,000	10,535,000	10,294,541	(240,459)
Business	2,418,000	2,391,000	2,238,444	(152,556)
Operations and maintenance	17,339,000	17,226,000	16,521,097	(704,903)
Pupil transportation services	5,095,000	4,994,000	4,591,130	(402,870)
Central	4,668,000	4,746,000	4,103,430	(642,570)
Other support services	2,243,000	2,492,000	2,312,585	(179,415)
Community services	191,000	445,000	428,558	(16,442)
Debt service/other	1,565,000	1,834,000	1,565,041	(268,959)
Total expenditures	168,608,000	170,018,000	162,538,792	(7,479,208)
Other Financing Sources (Uses)				
Transfers in	-	-	320,000	320,000
Transfers out	(233,000)	(129,000)	(166,552)	(37,552)
Total other financing (uses) sources	(233,000)	(129,000)	153,448	282,448
Net Change in Fund Balance	(4,536,000)	(1,313,000)	4,525,437	5,838,437
Fund Balance - Beginning of year (as restated)	17,691,982	17,691,982	17,691,982	-
Fund Balance - End of year	<u>\$ 13,155,982</u>	<u>\$ 16,378,982</u>	<u>\$ 22,217,419</u>	<u>\$ 5,838,437</u>

Other Supplemental Information

Warren Consolidated Schools

	School Service Funds		Debt Service Funds
	Nutrition Service Fund	Community Service Fund	Nonmajor Debt Service Funds
Assets			
Receivables	\$ 341,884	\$ -	\$ -
Due from other funds	54,394	-	442,880
Inventories	-	-	1,553,693
Restricted cash and investments	80,266	-	-
	-	-	4,131,635
Total assets	<u>\$ 476,544</u>	<u>\$ -</u>	<u>\$ 6,128,208</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 13,337	\$ -	\$ -
Other accrued liabilities	-	-	1,275
Due to other funds	157,013	-	1,554,859
Deferred revenue	35,460	-	423,969
Total liabilities	205,810	-	1,980,103
Fund Balances			
Nonspendable - Inventory	80,266	-	-
Restricted:			
Capital projects	-	-	-
Debt service	-	-	4,148,105
Food service	190,468	-	-
Committed - Capital projects	-	-	-
Total fund balances (as restated)	<u>270,734</u>	<u>-</u>	<u>4,148,105</u>
Total liabilities and fund balances	<u>\$ 476,544</u>	<u>\$ -</u>	<u>\$ 6,128,208</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Building and Site Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	2003 School Improvement Fund	2001 Unlimited Capital Projects Fund	Sinking Fund Capital Projects Fund	
\$ 1,006,212	\$ -	\$ -	\$ -	\$ 1,348,096
72,500	-	-	107,222	676,996
804,314	-	-	136,168	2,494,175
-	-	-	-	80,266
-	-	-	965,366	5,097,001
\$ 1,883,026	\$ -	\$ -	\$ 1,208,756	\$ 9,696,534
\$ 34,740	\$ -	\$ -	\$ 525	\$ 48,602
-	-	-	-	1,275
134,189	-	-	-	1,846,061
-	-	-	103,462	562,891
168,929	-	-	103,987	2,458,829
-	-	-	-	80,266
-	-	-	1,104,769	1,104,769
-	-	-	-	4,148,105
-	-	-	-	190,468
1,714,097	-	-	-	1,714,097
1,714,097	-	-	1,104,769	7,237,705
\$ 1,883,026	\$ -	\$ -	\$ 1,208,756	\$ 9,696,534

Warren Consolidated Schools

	School Service Funds		Debt Service Funds
	Nutrition Service Fund	Community Service Fund	Nonmajor Debt Service Funds
Revenue			
Local sources	\$ 2,696,488	\$ 920,554	\$ 10,122,863
State sources	273,289	-	-
Federal sources	3,898,337	-	1,466,955
Total revenue	6,868,114	920,554	11,589,818
Expenditures			
Current:			
Instruction	-	430,940	-
Support services	77,248	168,469	235,628
Food services	6,198,360	-	-
Community services	-	412,508	-
Debt service:			
Principal	340,370	-	5,300,000
Interest	27,708	-	7,677,770
Capital outlay	-	8,560	-
Total expenditures	6,643,686	1,020,477	13,213,398
Excess of Revenue Over (Under) Expenditures	224,428	(99,923)	(1,623,580)
Other Financing Sources (Uses)			
Transfers in	-	99,923	237,619
Transfers out	(320,000)	-	-
Total other financing (uses) sources	(320,000)	99,923	237,619
Net Change in Fund Balances	(95,572)	-	(1,385,961)
Fund Balances - Beginning of year (as restated)	366,306	-	5,534,066
Fund Balances - End of year	\$ 270,734	\$ -	\$ 4,148,105

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

Capital Projects Funds				
Building and Site Fund	2003 School Improvement Fund	2001 Unlimited Capital Projects Fund	Sinking Fund Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 1,220	\$ 15	\$ 4,737	\$ 4,130,103	\$ 17,875,980
-	-	-	-	273,289
-	-	-	-	5,365,292
1,220	15	4,737	4,130,103	23,514,561
-	-	-	-	430,940
-	387	839	313	482,884
-	-	-	-	6,198,360
-	-	-	-	412,508
-	-	-	4,275,000	9,915,370
-	-	-	350,417	8,055,895
264,667	-	4,620	108,449	386,296
264,667	387	5,459	4,734,179	25,882,253
(263,447)	(372)	(722)	(604,076)	(2,367,692)
75,153	-	-	-	412,695
-	(8,524)	-	-	(328,524)
75,153	(8,524)	-	-	84,171
(188,294)	(8,896)	(722)	(604,076)	(2,283,521)
1,902,391	8,896	722	1,708,845	9,521,226
\$ 1,714,097	\$ -	\$ -	\$ 1,104,769	\$ 7,237,705

Warren Consolidated Schools

June 30	2001	2003	2003	2003 Sinking	2003 School
	Unlimited Tax	Unlimited Tax	Refunding	Fund	Improvement
	Principal	Principal	Bonds	Principal	Principal
	Principal	Principal	Principal	Principal	Principal
2012	\$ 1,025,000	\$ 1,050,000	\$ 1,370,000	\$ 4,450,000	\$ 695,000
2013	1,525,000	1,075,000	3,120,000	-	-
2014	-	1,100,000	3,060,000	-	-
2015	-	1,125,000	3,010,000	-	-
2016	-	1,150,000	2,950,000	-	-
2017	-	1,175,000	2,930,000	-	-
2018	-	1,200,000	2,895,000	-	-
2019	-	1,225,000	2,855,000	-	-
2020	3,675,000	1,250,000	2,830,000	-	-
2021	4,025,000	1,275,000	2,790,000	-	-
2022	1,590,000	1,300,000	-	-	-
2023	-	-	-	-	-
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
2027	-	-	-	-	-
2028	-	-	-	-	-
2029	-	-	-	-	-
2030	-	-	-	-	-
2031	-	-	-	-	-
2032	-	-	-	-	-
2033	-	-	-	-	-
2034	-	-	-	-	-
2035	-	-	-	-	-
Total principal	\$ 11,840,000	\$ 12,925,000	\$ 27,810,000	\$ 4,450,000	\$ 695,000
Principal payments due	May 1	May 1	May 1	May 1	May 1
Interest payments due	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.10% to 5.375%	3.5% to 5.0%	4.0% to 5.25%	5.0%	5.0%
Original issue	\$ 65,350,000	\$ 27,335,000	\$ 36,820,000	\$ 29,670,000	\$ 5,105,000

**Other Supplemental Information
Schedule of Bond Indebtedness
Year Ended June 30, 2011**

2006 Refunding Bonds <u>Principal</u>	2007 Refunding Bonds <u>Principal</u>	2008 Refunding Bonds <u>Principal</u>	2010 Refunding Bonds <u>Principal</u>	2010 Unlimited Tax Series A <u>Principal</u>	2010 Unlimited Tax Series B <u>Principal</u>	<u>Total</u>
\$ 55,000	\$ -	\$ 1,960,000	\$ 760,000	\$ -	\$ -	\$ 11,365,000
75,000	-	-	800,000	-	-	6,595,000
1,880,000	-	-	840,000	605,000	-	7,485,000
2,150,000	-	-	-	625,000	-	6,910,000
2,465,000	-	-	-	675,000	-	7,240,000
2,775,000	-	-	-	675,000	-	7,555,000
3,090,000	-	-	-	700,000	-	7,885,000
3,400,000	-	-	-	725,000	-	8,205,000
-	-	-	-	825,000	-	8,580,000
-	-	-	-	875,000	-	8,965,000
-	3,055,000	-	-	1,225,000	-	7,170,000
4,820,000	1,305,000	-	-	1,300,000	-	7,425,000
4,920,000	1,295,000	-	-	1,400,000	-	7,615,000
4,990,000	1,280,000	-	-	1,525,000	-	7,795,000
5,055,000	1,290,000	-	-	1,600,000	-	7,945,000
-	1,270,000	-	-	2,125,000	15,000,000	18,395,000
-	-	-	-	2,225,000	-	2,225,000
-	-	-	-	2,325,000	-	2,325,000
-	-	-	-	2,425,000	-	2,425,000
-	-	-	-	2,525,000	-	2,525,000
-	-	-	-	2,625,000	-	2,625,000
-	-	-	-	2,725,000	-	2,725,000
-	-	-	-	2,825,000	-	2,825,000
-	-	-	-	2,825,000	-	2,825,000
<u>\$ 35,675,000</u>	<u>\$ 9,495,000</u>	<u>\$ 1,960,000</u>	<u>\$ 2,400,000</u>	<u>\$ 35,380,000</u>	<u>\$ 15,000,000</u>	<u>\$ 157,630,000</u>
May 1	May 1	May 1	May 1	May 1	May 1	
May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1	
4.0% to 5.0%	4.0%	3.75%	2.25% to 5.00%	2.95% to 6.70%	6.375%	
<u>\$ 35,875,000</u>	<u>\$ 9,995,000</u>	<u>\$ 5,105,000</u>	<u>\$ 3,125,000</u>	<u>\$ 35,380,000</u>	<u>\$ 15,000,000</u>	