



Dave Yost • Auditor of State



**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Warren Local School District  
Washington County  
220 Sweetapple Road  
Vincent, Ohio 45784

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (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 the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the Schedule) provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

August 12, 2011

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
Unaudited

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The discussion and analysis of the Warren Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2011 are as follows:

- In total, net assets increased \$1,802,080. Net assets of governmental activities increased \$1,681,026, while the net assets of the business-type activity increased \$121,054.
- General revenues accounted for \$17,823,572 in revenue or 80% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,509,493 or 20% of total revenues of \$22,333,065.
- Total program expenses were \$21,467,374, \$20,652,039 in governmental activities and \$815,335 in the business-type activity.

**Using this Annual Financial 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 the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities 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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

***Reporting the School District as a Whole***

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
Unaudited

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

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - Some services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's food service program is reported as a business-type activity.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund is the General Fund.

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

***Proprietary Funds*** Proprietary funds use the same basis of accounting as business-type activities (food service); therefore, these statements will essentially match.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.



**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
 Unaudited

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

(Table 1)  
 Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$14,605,758	\$12,595,934	\$483,020	\$377,862	\$15,088,778	\$12,973,796
Capital Assets, Net	5,465,265	5,530,859	60,223	65,069	5,525,488	5,595,928
<i>Total Assets</i>	<u>20,071,023</u>	<u>18,126,793</u>	<u>543,243</u>	<u>442,931</u>	<u>20,614,266</u>	<u>18,569,724</u>
<b>Liabilities</b>						
Current and Other Liabilities	8,832,875	8,433,569	54,065	65,442	8,886,940	8,499,011
Long-term Liabilities						
Due Within One Year	21,879	30,768	0	0	21,879	30,768
Due in More Than One Year	2,195,340	2,322,553	29,094	38,459	2,224,434	2,361,012
<i>Total Liabilities</i>	<u>11,050,094</u>	<u>10,786,890</u>	<u>83,159</u>	<u>103,901</u>	<u>11,133,253</u>	<u>10,890,791</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	5,465,265	5,530,859	60,223	65,069	5,525,488	5,595,928
Restricted	1,088,903	741,364	0	0	1,088,903	741,364
Unrestricted	2,466,761	1,067,680	399,861	273,961	2,866,622	1,341,641
<i>Total Net Assets</i>	<u>\$9,020,929</u>	<u>\$7,339,903</u>	<u>\$460,084</u>	<u>\$339,030</u>	<u>\$9,481,013</u>	<u>\$7,678,933</u>

Total assets increased \$2,044,542, with governmental assets increasing \$1,944,230 and business-type assets increasing \$100,312. For governmental activities, cash and cash equivalents increased \$1,601,577 along with an increase in property taxes receivable of \$248,926. These increases were offset by decreases in depreciable capital assets of \$65,594.

Total liabilities increased \$242,462, with governmental liabilities increasing \$263,204 and business-type liabilities decreasing \$20,742. The following liabilities of governmental activities experienced increases: accounts payable of \$13,178, vacation benefits payable of \$654, claims payable of \$9,000, and deferred revenue of \$442,084. These increases were offset by decreases in accrued wages and benefits payable of \$46,166, intergovernmental payable of \$24,227, and matured compensated absences payable of \$4,783.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
 Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 compared to 2010.

(Table 2)  
 Changes in Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,611,899	\$1,580,222	\$471,366	\$517,898	\$2,083,265	\$2,098,120
Operating Grants, Contributions and Interest	2,897,594	2,218,113	462,972	422,394	3,360,566	2,640,507
Total Program Revenues	<u>4,509,493</u>	<u>3,798,335</u>	<u>934,338</u>	<u>940,292</u>	<u>5,443,831</u>	<u>4,738,627</u>
General Revenues:						
Property Taxes	5,588,429	5,729,369	0	0	5,588,429	5,729,369
Grants and Entitlements	11,975,918	12,500,090	0	0	11,975,918	12,500,090
Interest	53,966	110,525	2,051	1,906	56,017	112,431
Miscellaneous	205,259	94,012	0	0	205,259	94,012
Total General Revenues	<u>17,823,572</u>	<u>18,433,996</u>	<u>2,051</u>	<u>1,906</u>	<u>17,825,623</u>	<u>18,435,902</u>
Total Revenues	<u>22,333,065</u>	<u>22,232,331</u>	<u>936,389</u>	<u>942,198</u>	<u>23,269,454</u>	<u>23,174,529</u>
<b>Program Expenses</b>						
Instruction:						
Regular	10,687,375	11,223,342	0	0	10,687,375	11,223,342
Special	2,027,804	2,023,266	0	0	2,027,804	2,023,266
Vocational	92,224	71,995	0	0	92,224	71,995
Intervention	19,209	15,397	0	0	19,209	15,397
Support Services:						
Pupils	541,570	594,702	0	0	541,570	594,702
Instructional Staff	817,342	759,694	0	0	817,342	759,694
Board of Education	130,750	158,453	0	0	130,750	158,453
Administration	1,545,837	1,340,002	0	0	1,545,837	1,340,002
Fiscal	525,243	617,900	0	0	525,243	617,900
Business	7,755	8,313	0	0	7,755	8,313
Operation and Maintenance						
of Plant	1,701,981	1,821,292	0	0	1,701,981	1,821,292
Pupil Transportation	1,925,457	1,774,907	0	0	1,925,457	1,774,907
Central	30,119	14,486	0	0	30,119	14,486
Operation of Non-Instructional						
Services	93	3,522	0	0	93	3,522
Extracurricular Activities	599,280	598,910	0	0	599,280	598,910
Food Service	0	0	815,335	871,433	815,335	871,433
Total Expenses	<u>20,652,039</u>	<u>21,026,181</u>	<u>815,335</u>	<u>871,433</u>	<u>21,467,374</u>	<u>21,897,614</u>
Increase in Net Assets	1,681,026	1,206,150	121,054	70,765	1,802,080	1,276,915
Net Assets Beginning of Year	7,339,903	6,133,753	339,030	268,265	7,678,933	6,402,018
Net Assets End of Year	<u>\$9,020,929</u>	<u>\$7,339,903</u>	<u>\$460,084</u>	<u>\$339,030</u>	<u>\$9,481,013</u>	<u>\$7,678,933</u>

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
 Unaudited

***Governmental Activities***

Property taxes made up approximately 25 percent of revenues for governmental activities for the School District. Of the remaining revenues, the School District receives 67 percent from state foundation, federal, and state grants; 7 percent from charges for services; and 1 percent from interest and local revenues.

Nearly 62 percent of the School District's budget is used to fund instructional expenses. Support services make up 35 percent of expenses and 3 percent is used for extracurricular activities, and non-instructional services.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and investment earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements.

(Table 3)  
 Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,687,375	\$8,842,618	\$11,223,342	\$9,724,267
Special	2,027,804	480,408	2,023,266	203,848
Vocational	92,224	62,787	71,995	42,194
Intervention	19,209	19,209	15,397	15,397
Support Services:				
Pupils	541,570	529,959	594,702	574,800
Instructional Staff	817,342	687,135	759,694	684,696
Board of Education	130,750	130,750	158,453	158,453
Administration	1,545,837	858,962	1,340,002	1,276,942
Fiscal	525,243	520,623	617,900	617,900
Business	7,755	7,755	8,313	8,313
Operation and Maintenance of Plant	1,701,981	1,701,981	1,821,292	1,817,968
Pupil Transportation	1,925,457	1,877,463	1,774,907	1,662,213
Central	30,119	30,119	14,486	14,486
Operation of Non-Instructional Services	93	(2,340)	3,522	(312)
Extracurricular Activities	599,280	395,117	598,910	426,681
<b>Total</b>	<u>\$20,652,039</u>	<u>\$16,142,546</u>	<u>\$21,026,181</u>	<u>\$17,227,846</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Nearly 86 percent of total expenses are supported through taxes and other general revenues.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
 Unaudited

***Business-Type Activity***

The business-type activity is the School District's food service operation. This program had total revenues of \$936,389 and total expenses of \$815,335 for fiscal year 2011. Program receipts for this activity consist of food service sales and state and federal grants for lunchroom programs. The food service activity has operated effectively enough to avoid operating transfers from the governmental activities.

**The School District Funds**

All governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$22,279,489 and expenditures of \$20,803,143. The School District's General fund had a fund balance increase of \$1,405,803.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2011, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$19,956,561, \$10,051 below final estimates of \$19,966,612. Expenditures of \$18,455,298 were lower than final appropriations of \$21,685,566. Final appropriations were slightly increased \$72,748 from originals.

**Capital Assets**

At the end of fiscal year 2011, the School District had \$5,525,488 invested in land, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 balances compared to 2010.

(Table 4)  
 Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$330,057	\$330,057	\$0	\$0	\$330,057	\$330,057
Buildings and Improvements	3,169,583	3,317,122	0	0	3,169,583	3,317,122
Furniture and Equipment	344,498	372,973	60,223	65,069	404,721	438,042
Vehicles	1,621,127	1,510,707	0	0	1,621,127	1,510,707
Totals	<u>\$5,465,265</u>	<u>\$5,530,859</u>	<u>\$60,223</u>	<u>\$65,069</u>	<u>\$5,525,488</u>	<u>\$5,595,928</u>

In 2011, School District purchased four buses and disposed of four old buses in governmental activities.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
Unaudited

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See Note 13 to the basic financial statements for more information on capital assets.

**Current Issues**

The continued attempt to control the inflationary raise in the school foundation formula and shifting of the tax base may contain the amount of payment the Legislature has to contribute to the school districts of the State. It will not contain the rising price of fuel for the buses, power and heating costs, the repair and maintenance of our aging facilities, the rising cost of benefits, and other contractual items. Over the last ten years, the School District has had five years where expenditures exceeded revenue (deficit spending), with fiscal years 2007 and 2008 being two of the five. The School District has worked diligently to turn this trend around and was successful in having excess revenues over expenditures in fiscal years 2009 thru 2011. It is the stated goal of the Board of Education to assure the School District operates such that its one-year budget and five-year forecast maintain a cash surplus equal to or greater than two months operating expenses and to use a ratio of 80% to the total annual budget/total annual revenue as a benchmark for determining the fiscal "health" of the School District. Maintaining these goals with the influence of the previously listed budgetary factors will become increasingly difficult.

One major challenge of the School District is the maintenance of old structures throughout the School District. The Board is currently working with the Ohio School Facilities Commission and has asked the public to approve the sale of bonds to help finance the School District's portion. To date, the public has not responded with a positive vote to the construction of new buildings which forces the School District to make further reductions to programs and offerings to fund repairs and improvements to the School District's infrastructure.

The challenge for all school districts is to provide a quality education to their students while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District is reviewing its sources of revenue and has determined that increases will be difficult to obtain. We are currently reviewing our projected expenditures including benefits and staffing levels in an attempt to maintain our stated financial goals and the quality of education.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Melcie Wells, Treasurer at Warren Local School District, 220 Sweetapple Road, Vincent, Ohio 45784, or e-mail at [wj\\_mwells@warrenlocal.org](mailto:wj_mwells@warrenlocal.org).

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**Warren Local School District, Ohio**

*Statement of Net Assets*

*June 30, 2011*

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,443,576	\$385,545	\$7,829,121
Cash and Cash Equivalents in Segregated Accounts	2,145	0	2,145
Accounts Receivable	1,209	0	1,209
Inventory Held for Resale	0	37,899	37,899
Materials and Supplies Inventory	117,494	4,416	121,910
Intergovernmental Receivable	304,771	55,160	359,931
Property Taxes Receivable	6,736,563	0	6,736,563
Nondepreciable Capital Assets	330,057	0	330,057
Depreciable Capital Assets, Net	5,135,208	60,223	5,195,431
<i>Total Assets</i>	<u>20,071,023</u>	<u>543,243</u>	<u>20,614,266</u>
<b>Liabilities</b>			
Accounts Payable	120,423	0	120,423
Accrued Wages and Benefits Payable	1,661,934	44,032	1,705,966
Vacation Benefits Payable	72,128	0	72,128
Matured Compensated Absences Payable	181,281	0	181,281
Intergovernmental Payable	375,279	10,033	385,312
Deferred Revenue	6,347,830	0	6,347,830
Claims Payable	74,000	0	74,000
Long-Term Liabilities:			
Due Within One Year	21,879	0	21,879
Due In More Than One Year	2,195,340	29,094	2,224,434
<i>Total Liabilities</i>	<u>11,050,094</u>	<u>83,159</u>	<u>11,133,253</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,465,265	60,223	5,525,488
Restricted for:			
Textbook Purchases	423,397	0	423,397
Capital Improvements	70,300	0	70,300
Unclaimed Monies	5,825	0	5,825
Other Purposes	589,381	0	589,381
Unrestricted	2,466,761	399,861	2,866,622
<i>Total Net Assets</i>	<u>\$9,020,929</u>	<u>\$460,084</u>	<u>\$9,481,013</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense)Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>						
Instruction:						
Regular	\$10,687,375	\$1,386,157	\$458,600	(\$8,842,618)	\$0	(\$8,842,618)
Special	2,027,804	48,337	1,499,059	(480,408)	0	(480,408)
Vocational	92,224	0	29,437	(62,787)	0	(62,787)
Intervention	19,209	0	0	(19,209)	0	(19,209)
Support Services:						
Pupils	541,570	0	11,611	(529,959)	0	(529,959)
Instructional Staff	817,342	0	130,207	(687,135)	0	(687,135)
Board of Education	130,750	0	0	(130,750)	0	(130,750)
Administration	1,545,837	9,242	677,633	(858,962)	0	(858,962)
Fiscal	525,243	0	4,620	(520,623)	0	(520,623)
Business	7,755	0	0	(7,755)	0	(7,755)
Operation and						
Maintenance of Plant	1,701,981	0	0	(1,701,981)	0	(1,701,981)
Pupil Transportation	1,925,457	0	47,994	(1,877,463)	0	(1,877,463)
Central	30,119	0	0	(30,119)	0	(30,119)
Operation of Non-Instructional						
Services	93	0	2,433	2,340	0	2,340
Extracurricular Activities	599,280	168,163	36,000	(395,117)	0	(395,117)
<i>Total Governmental Activities</i>	<i>20,652,039</i>	<i>1,611,899</i>	<i>2,897,594</i>	<i>(16,142,546)</i>	<i>0</i>	<i>(16,142,546)</i>
<b>Business-Type Activity</b>						
Food Service	815,335	471,366	462,972	0	119,003	119,003
<i>Totals</i>	<i>\$21,467,374</i>	<i>\$2,083,265</i>	<i>\$3,360,566</i>	<i>(16,142,546)</i>	<i>119,003</i>	<i>(16,023,543)</i>
<b>General Revenues</b>						
Property Taxes Levied for General Purposes				5,588,429	0	5,588,429
Grants and Entitlements not Restricted to Specific Programs				11,975,918	0	11,975,918
Interest				53,966	2,051	56,017
Miscellaneous				205,259	0	205,259
<i>Total General Revenues</i>				<i>17,823,572</i>	<i>2,051</i>	<i>17,825,623</i>
<i>Change in Net Assets</i>				<i>1,681,026</i>	<i>121,054</i>	<i>1,802,080</i>
<i>Net Assets Beginning of Year</i>				<i>7,339,903</i>	<i>339,030</i>	<i>7,678,933</i>
<i>Net Assets End of Year</i>				<i>\$9,020,929</i>	<i>\$460,084</i>	<i>\$9,481,013</i>

See accompanying notes to the basic financial statements



**Warren Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,296,407	\$1,547,273	\$5,843,680
Cash and Cash Equivalents in Segregated Accounts	0	2,145	2,145
Receivables:			
Property Taxes	6,736,563	0	6,736,563
Accounts	1,179	30	1,209
Intergovernmental	3,285	301,486	304,771
Interfund	27,982	0	27,982
Materials and Supplies Inventory	117,494	0	117,494
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	499,522	0	499,522
<i>Total Assets</i>	<u>\$11,682,432</u>	<u>\$1,850,934</u>	<u>\$13,533,366</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$36,261	\$84,162	\$120,423
Accrued Wages and Benefits Payable	1,575,860	86,074	1,661,934
Interfund Payable	0	27,982	27,982
Intergovernmental Payable	357,442	17,837	375,279
Matured Compensated Absences Payable	181,281	0	181,281
Deferred Revenue	6,605,825	68,874	6,674,699
<i>Total Liabilities</i>	<u>8,756,669</u>	<u>284,929</u>	<u>9,041,598</u>
<b>Fund Balances</b>			
Nonspendable	117,494	0	117,494
Restricted	499,522	209,815	709,337
Committed	0	1,357,972	1,357,972
Unassigned	2,308,747	(1,782)	2,306,965
<i>Total Fund Balance</i>	<u>2,925,763</u>	<u>1,566,005</u>	<u>4,491,768</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,682,432</u>	<u>\$1,850,934</u>	<u>\$13,533,366</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2011*

<b>Total Governmental Fund Balances</b>		<b>\$4,491,768</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,465,265
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	257,995	
Grants	68,874	326,869
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		1,026,374
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the balance sheet until due.		(72,128)
Sick Leave Benefits Payable which are long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		(2,217,219)
Net Assets of Governmental Activities		<b>\$9,020,929</b>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$5,566,506	\$0	\$5,566,506
Intergovernmental	12,692,073	2,072,675	14,764,748
Interest	520	53,714	54,234
Tuition and Fees	1,435,230	0	1,435,230
Extracurricular Activities	9,710	177,137	186,847
Gifts and Donations	0	51,732	51,732
Miscellaneous	201,096	19,096	220,192
<i>Total Revenues</i>	<u>19,905,135</u>	<u>2,374,354</u>	<u>22,279,489</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,112,056	609,844	10,721,900
Special	1,334,743	739,521	2,074,264
Vocational	85,261	4,001	89,262
Intervention	19,209	0	19,209
Support Services:			
Pupils	543,048	47,477	590,525
Instructional Staff	671,650	136,666	808,316
Board of Education	130,750	628,258	759,008
Administration	869,913	12,265	882,178
Fiscal	513,771	0	513,771
Business	7,755	0	7,755
Operation and Maintenance of Plant	1,705,777	6,441	1,712,218
Pupil Transportation	1,861,144	172,734	2,033,878
Central	30,119	0	30,119
Operation of Non-Instructional Services	0	2,000	2,000
Extracurricular Activities	311,140	245,415	556,555
Capital Outlay	0	2,185	2,185
<i>Total Expenditures</i>	<u>18,196,336</u>	<u>2,606,807</u>	<u>20,803,143</u>
<i>Excess of Revenues Over/(Under) Expenditures</i>	<u>1,708,799</u>	<u>(232,453)</u>	<u>1,476,346</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	317,986	317,986
Proceeds from Sale of Capital Assets	11,563	0	11,563
Other Insurance Proceeds	3,427	0	3,427
Transfers Out	(317,986)	0	(317,986)
<i>Total Other Financing Sources (Uses)</i>	<u>(302,996)</u>	<u>317,986</u>	<u>14,990</u>
<i>Net Change in Fund Balance</i>	1,405,803	85,533	1,491,336
<i>Fund Balances Beginning of Year</i>	<u>1,519,960</u>	<u>1,480,472</u>	<u>3,000,432</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,925,763</u></u>	<u><u>\$1,566,005</u></u>	<u><u>\$4,491,768</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$1,491,336</b>
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*Amounts reported for governmental activities in the statement of activities  
are different because*

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays.

Capital Asset Additions	408,712	
Depreciation Expense	<u>(449,411)</u>	(40,699)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The net effect is to decrease net assets.

(24,895)

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

Delinquent Taxes	21,923	
Grants	<u>28,226</u>	50,149

Some expenses reported on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Vacation Benefits Payable	(654)	
Sick Leave Benefits Payable	<u>136,102</u>	135,448

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

69,687

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$1,681,026</u></u>
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See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$5,638,350	\$5,782,250	\$5,781,587	(\$663)
Intergovernmental	12,476,712	12,691,112	12,688,788	(2,324)
Interest	2,000	2,000	520	(1,480)
Tuition and Fees	1,440,000	1,454,700	1,435,230	(19,470)
Miscellaneous	17,000	36,550	50,436	13,886
<i>Total Revenues</i>	19,574,062	19,966,612	19,956,561	(10,051)
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,244,082	11,237,582	10,366,610	870,972
Special	1,660,842	1,659,238	1,321,408	337,830
Vocational	121,010	121,010	83,500	37,510
Intervention	41,692	41,692	22,105	19,587
Support Services:				
Pupils	765,185	784,618	546,904	237,714
Instructional Staff	791,959	795,109	677,320	117,789
Board of Education	172,122	214,042	134,431	79,611
Administration	1,542,549	1,671,946	846,773	825,173
Fiscal	713,802	574,803	517,334	57,469
Business	10,167	10,167	7,973	2,194
Operation and Maintenance of Plant	1,856,842	1,859,107	1,749,440	109,667
Pupil Transportation	2,299,154	2,306,355	1,857,654	448,701
Central	16,685	33,170	30,297	2,873
Extracurricular Activities	376,727	376,727	293,549	83,178
<i>Total Expenditures</i>	21,612,818	21,685,566	18,455,298	3,230,268
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,038,756)	(1,718,954)	1,501,263	3,220,217
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	0	11,600	11,563	(37)
Refund of Prior Year Expenditures	20,000	163,100	162,495	(605)
Insurance Recoveries	0	3,500	3,427	(73)
Advances In	60,000	72,000	71,897	(103)
Advances Out	(30,000)	(94,000)	(93,977)	23
Transfers In	19,110	19,110	0	(19,110)
Transfers Out	(316,000)	(316,000)	(317,986)	(1,986)
<i>Total Other Financing Sources (Uses)</i>	(246,890)	(140,690)	(162,581)	(21,891)
<i>Net Change in Fund Balance</i>	(2,285,646)	(1,859,644)	1,338,682	3,198,326
<i>Fund Balance Beginning of Year</i>	2,746,429	2,746,429	2,746,429	0
Prior Year Encumbrances Appropriated	498,571	498,571	498,571	0
<i>Fund Balance End of Year</i>	\$959,354	\$1,385,356	\$4,583,682	\$3,198,326

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2011*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$385,545	\$1,100,374
Inventory Held for Resale	37,899	0
Materials and Supplies Inventory	4,416	0
Intergovernmental Receivable	55,160	0
<i>Total Current Assets</i>	483,020	1,100,374
Noncurrent Assets:		
Depreciable Capital Assets, net	60,223	0
<i>Total Assets</i>	543,243	1,100,374
<b>Liabilities</b>		
Current Liabilities:		
Accrued Wages and Benefits Payable	44,032	0
Intergovernmental Payable	10,033	0
Claims Payable	0	74,000
<i>Total Current Liabilities</i>	54,065	74,000
Long-term Liabilities:		
Sick Leave Benefits Payable	29,094	0
<i>Total Liabilities</i>	83,159	74,000
<b>Net Assets</b>		
Invested in Capital Assets	60,223	0
Unrestricted	399,861	1,026,374
<b>Total Net Assets</b>	<b>\$460,084</b>	<b>\$1,026,374</b>

See accompanying notes to the basic financial statements

**Warern Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2011*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Operating Revenues</b>		
Sales	\$471,366	\$0
Charges for Services	0	718,529
<i>Total Operating Revenues</i>	<u>471,366</u>	<u>718,529</u>
<b>Operating Expenses</b>		
Salaries	310,639	0
Fringe Benefits	120,952	0
Purchased Services	7,530	10,260
Materials and Supplies	41,807	0
Cost of Sales	329,561	0
Depreciation	4,846	0
Claims	0	638,582
<i>Total Operating Expenses</i>	<u>815,335</u>	<u>648,842</u>
<i>Operating Income/(Loss)</i>	<u>(343,969)</u>	<u>69,687</u>
<b>Non-Operating Revenues</b>		
Federal Donated Commodities	46,567	0
Interest	2,051	0
Loss on Sale of Capital Assets	0	
Federal and State Subsidies	416,405	0
<i>Total Non-Operating Revenues</i>	<u>465,023</u>	<u>0</u>
<i>Net Change in Net Assets</i>	121,054	69,687
<i>Net Assets Beginning of Year</i>	<u>339,030</u>	<u>956,687</u>
<i>Net Assets End of Year</i>	<u><u>\$460,084</u></u>	<u><u>\$1,026,374</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$471,366	\$0
Cash Received from Transactions with Other Funds	0	718,529
Cash Payments to Suppliers for Goods and Services	(353,972)	(10,260)
Cash Payments for Employee Services	(324,795)	0
Cash Payments for Employee Benefits	(127,538)	0
Cash Payments for Claims	0	(629,582)
Net Cash Provided by (Used for) Operating Activities	<u>(334,939)</u>	<u>78,687</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating Grants Received	361,245	0
<b>Cash Flows from Investing Activities</b>		
Interest	2,051	0
<i>Net Increase in Cash and Cash Equivalents</i>	28,357	78,687
<i>Cash and Cash Equivalents Beginning of Year</i>	357,188	1,021,687
<i>Cash and Cash Equivalents End of Year</i>	<u>\$385,545</u>	<u>\$1,100,374</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities</b>		
Operating Income (Loss)	<u>(\$343,969)</u>	<u>\$69,687</u>
Depreciation	4,846	0
Donated Commodities Received During Year	46,567	0
Changes in Assets and Liabilities:		
Increase in Inventory Held for Resale	(22,524)	0
Decrease in Materials and Supplies Inventory	883	0
Decrease in Accrued Wages and Benefits Payable	(7,347)	0
Decrease in Compensated Absences Payable	(9,365)	0
Increase in Claims Payable	0	9,000
Decrease in Intergovernmental Payable	(4,030)	0
Net Cash Provided by (Used for) Operating Activities	<u>(\$334,939)</u>	<u>\$78,687</u>

Non-Cash Non-Capital Financing Transactions: During fiscal year 2011, the Food Service Enterprise Fund received \$46,567 in donated commodities.

See accompanying notes to the basic financial statements



**Warren Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2011*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$52,897</u></u>
<b>Liabilities</b>	
Due to Students	<u><u>\$52,897</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
	Tracy Scholarship
<b>Additions</b>	
Gifts and Contributions	\$3,000
<b>Deductions</b>	
Scholarships Awarded	3,000
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	0
<i>Net Assets End of Year</i>	\$0

See accompanying notes to the basic financial statements

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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### **Note 1 - Description of the School District and Reporting Entity**

Warren Local School District, Washington County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 149 certificated employees and 88 classified employees who provide services to 2,552 students. The School District currently operates six instructional/support facilities.

#### *Reporting Entity*

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and two insurance purchasing pools. These organizations are the South Eastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. The more significant of the School District's accounting policies are described below.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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### **A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

### **B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major fund is the General Fund.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**General Fund** The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Types** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service.

**Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's only enterprise fund accounts for the operation of the School District's food service program.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for the operation of the School District's self-insurance program for employee dental and prescription drug claims.

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

The private purpose trust fund is reported using the economic resources measurement focus.

### ***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2011, the School District invested in STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Fund during fiscal year 2011 amounted to \$53,446, which includes \$46,334 assigned from other School District funds.

The School District has a segregated bank account for athletic activities. This depository account is presented as "cash and cash equivalents in segregated accounts" since it is not deposited into the School District treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed. The School District had no prepaids at June 30, 2011.

***G. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of expendable supplies held for consumption and donated and purchased commodities held for resale.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the Food Service Enterprise Fund are reported both in the business-type activity column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by back trending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

Description	Estimated Lives
Buildings and Improvements	20 – 80 years
Furniture and Equipment	5 – 20 years
Vehicles	8 – 12 years

***I. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unclaimed monies, and amounts required by statute to be set-aside by the School District for capital improvements and textbook purchases. See Note 20 for additional information regarding set-asides.

***J. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as “interfund receivables/payables.” These amounts are eliminated on the statement of net assets.



**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***K. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The liability for vacation benefits is recorded as "vacation benefits payable", rather than long-term liabilities, as the balances for most employees are to be used by employees in the fiscal year following the fiscal year in which the benefit was earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees with seven years of service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured sick leave benefits payable" in the funds from which these payments will be made.

***L. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

***M. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***N. Fund Balance Reserves***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash. It also includes the long-term amount of leases and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

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

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, the assigned amounts represent intended uses established by the School District Board of Education.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include music and athletic programs, community education, and local, federal, and state grants restricted to expenditure for specified purposes.

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

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are sales for the food service programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***R. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***S. Budgetary Process***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations to the function and object level.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from the prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Note 3 – Changes in Accounting Principles**

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes account and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the School District’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 54 enhances 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 upon the used of the resources reported in governmental funds.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District’s financial statements.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's financial statements.

**Note 4 – Fund Balances**

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Materials and Supplies Inventory	\$117,494	\$0	\$117,494
<u>Restricted for:</u>			
Community Involvement	0	83,088	83,088
Athletics and Music	0	19,179	19,179
Technology	0	22,945	22,945
Teacher Development	0	4,888	4,888
Special Needs Children	0	79,715	79,715
Unclaimed Monies	5,825	0	5,825
Textbook Setaside	423,397	0	423,397
Capital Setaside	70,300	0	70,300
<i>Total Restricted</i>	<u>499,522</u>	<u>209,815</u>	<u>709,337</u>
<u>Committed to:</u>			
Capital Improvements	0	892,189	892,189
Compensated Absences	0	465,783	465,783
<i>Total Committed</i>	<u>0</u>	<u>1,357,972</u>	<u>1,357,972</u>
Unassigned:	<u>2,308,747</u>	<u>(1,782)</u>	<u>2,306,965</u>
<i>Total Fund Balances</i>	<u>\$2,925,763</u>	<u>\$1,566,005</u>	<u>\$4,491,768</u>

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 5 - Fund Deficit**

At June 30, 2011, the following fund had a deficit fund balance:

	<u>Deficit</u>
Title II-A	(\$1,782)

The deficit resulted from adjustments for accrued liabilities and over-extended grant resources. The General Fund is liable for any deficits in this fund and will provide operating transfers when cash is required, not when accruals occur.

**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP) and Actual General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Unrecorded cash and prepaid items are reported on the balance sheet (GAAP) but not on the budgetary basis.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,405,803
Net Adjustment for Revenue Accruals	213,921
Advances In	71,897
Advances Out	(93,977)
Net Adjustment for Expenditure Accruals	(471,211)
Encumbrances	212,249
Budget Basis	<u><u>\$1,338,682</u></u>

**Note 7 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
  6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
  7. The State Treasurer’s investment pool (STAROhio); and
  8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,089,486 of the School District’s bank balance of \$8,288,199 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2011, the School District had the following investments as part of the internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investments</u>
STAROhio	\$62	58.3	100.00%

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District’s investment policy addresses interest rate risk by requiring that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor’s. The School District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.



## Warren Local School District, Ohio

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011*

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For an investment, 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 has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

#### **Note 8 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies.

The School District receives property taxes from Washington and Athens Counties. The Washington County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

The amount available as an advance at June 30, 2011, was \$130,738 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2010, was \$345,359.

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

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

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$208,443,900	91%	\$218,357,150	91%
Public Utility Personal	18,979,360	8%	21,044,350	9%
Tangible Personal Property	526,910	1%	0	0%
<b>Total</b>	<u><u>\$227,950,170</u></u>	<u><u>100%</u></u>	<u><u>\$239,401,500</u></u>	<u><u>100%</u></u>
 Tax Rate per \$1,000 of assessed valuation	 \$35.08		 \$34.73	

**Note 9 - Receivables**

Receivables at June 30, 2011, consisted of property taxes, accounts (rent, student fees, and tuition), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. Delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$257,995 may not be collected within one year. All other receivables are expected to be collected within one year. A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
Medicaid	\$3,285
High Schools that Work	8,517
Title I	84,750
Title II-D	768
Race to the Top	103,565
IDEA	103,886
<b>Total Governmental Activities</b>	<u><u>\$304,771</u></u>

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**Note 10 – Interfund Balances and Transfers**

Interfund balances at June 30, 2011, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$27,982	\$0
Other Nonmajor Governmental Funds:		
Race to the Top Special Revenue Fund	0	27,982
Total Other Nonmajor Governmental Funds	0	27,982
Total All Funds	\$27,982	\$27,982

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by Special Revenue Funds.

During the year, the General Fund transferred \$316,000, and \$1,986, respectively, to the Severance Benefits and Athletic and Music Special Revenue Funds to help reduce deficit fund balances.

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with The Ohio School Plan for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$38,026,611 on buildings and contents. The policies include a \$1,000 deductible.

Professional and general liability is protected by The Ohio School Plan with a \$2,000,000 single occurrence limit with a \$4,000,000 aggregate and no deductible. Vehicles are covered by The Ohio School Plan with a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision for buses. Automobile liability has a \$2,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last fiscal year.

***B. Workers' Compensation***

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***C. Employee Dental and Prescription Benefits***

Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc, the third party administrator for dental, and Express Scripts, the third party administrator for prescriptions, reviews and processes the claims which the School District then pays. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$74,000 at June 30, 2011, is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be disclosed. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$60,000	\$654,356	\$649,356	\$65,000
2011	65,000	638,582	629,582	74,000

**Note 12 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Vacation days must be used by most employees in the fiscal year following the fiscal year in which the benefit was earned. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days for classified employees and 215 for certified. Upon retirement, severance payments will be calculated upon twenty-five percent of the number of days of sick leave with a maximum of 215 days. Employees with 25 years or more of service with the School District will be eligible to receive fifty percent of unused sick leave as severance. Certified employees may also receive an additional severance pay with ten or more years in the School District. Eligible certified employees will receive one additional severance day for every four days of unused sick leave remaining after the number of severance days received under the normal severance is subtracted from the total number of accumulated sick leave days. This additional severance amounts to severance payments being calculated upon 43.75% of the number of days of sick leave with a maximum of 215 days.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**B. Insurance**

The School District provides health, vision, and major medical insurance for all eligible employees by contracting with Anthem. The School District pays 80 percent of the monthly premiums.

The School District provides life insurance and accidental death dismemberment to most employees through Coresource, in the amount of \$30,000 for classified and certified employees, \$50,000 for administrators, and \$250,000 for the superintendent and treasurer.

**Note 13 - Capital Assets**

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

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/11</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	<u>\$330,057</u>	<u>\$0</u>	<u>\$0</u>	<u>\$330,057</u>
Capital assets being depreciated				
Buildings and Improvements	8,953,316	0	0	8,953,316
Furniture and Equipment	2,229,672	67,116	(51,837)	2,244,951
Vehicles	2,898,164	341,596	(217,571)	3,022,189
Total capital assets being depreciated	<u>14,081,152</u>	<u>408,712</u>	<u>(269,408)</u>	<u>14,220,456</u>
Accumulated depreciation				
Buildings and Improvements	(5,636,194)	(147,539)	0	(5,783,733)
Furniture and Equipment	(1,856,699)	(71,064)	27,310	(1,900,453)
Vehicles	(1,387,457)	(230,808)	217,203	(1,401,062)
Total accumulated depreciation	<u>(8,880,350)</u>	<u>(449,411) *</u>	<u>244,513</u>	<u>(9,085,248)</u>
Capital assets being depreciated, net	<u>5,200,802</u>	<u>(40,699)</u>	<u>(24,895)</u>	<u>5,135,208</u>
Governmental Activities capital assets, net	<u>\$5,530,859</u>	<u>(\$40,699)</u>	<u>(\$24,895)</u>	<u>\$5,465,265</u>
<b>Business-Type Activity:</b>				
Capital assets being depreciated				
Furniture and Fixtures	\$232,107	\$0	\$0	\$232,107
Less Accumulated Depreciation	<u>(167,038)</u>	<u>(4,846)</u>	<u>0</u>	<u>(171,884)</u>
Business-Type Activity capital assets, net	<u>\$65,069</u>	<u>(\$4,846)</u>	<u>\$0</u>	<u>\$60,223</u>

\* Depreciation expense was charged to governmental functions as follows:

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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Instruction:	
Regular	\$88,594
Special Instruction	11,780
Vocational	2,962
Support Services:	
Pupils	10,491
Instructional Staff	10,447
Administration	11,284
Fiscal	2,490
Operation and Maintenance of Plant	26,047
Pupil Transportation	242,591
Extracurricular Activities	42,725
Total Depreciation Expense	<u>\$449,411</u>

**Note 14 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$220,130, \$172,749, and \$202,092, respectively; 70.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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

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

Funding Policy - For the fiscal year ended June 30, 2010 (latest information available), plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010 (latest information available), the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$1,186,517, \$1,293,249 and \$1,042,674, respectively; 86.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2010 were \$39,472 made by the School District and \$28,195 made by the plan members (latest information available).

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, all members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 15 - Postemployment Benefits**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$82,076, \$2,516, and \$121,374, respectively; 40.14 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010 (latest information available), this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$18,848, \$14,042, and \$10,831, respectively; 77.95 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009 (fiscal year 2011 amounts were based on fiscal year 2010 rates - latest information available).



**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010 (latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$91,271, \$99,481, and \$78,642, respectively; 86.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009 (fiscal year 2011 amounts were based on fiscal year 2010 rates - latest information available).

**Note 16 - Long-Term Obligations**

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<b>Governmental Activities:</b>					
Sick Leave Benefits	<u>\$2,353,321</u>	<u>\$79,327</u>	<u>\$215,429</u>	<u>\$2,217,219</u>	<u>\$21,879</u>
<b>Business-Type Activity:</b>					
Sick Leave Benefits	<u>\$38,459</u>	<u>\$8,846</u>	<u>\$18,211</u>	<u>\$29,094</u>	<u>\$0</u>

Sick leave benefits will be paid from the fund from which the employees’ salaries are paid. These funds include the General Fund, Title VI-B and Title I Special Revenue Funds, and the Food Service Enterprise Fund.

The overall debt margin of the School District as of June 30, 2011, was \$21,479,187, with an unvoted debt margin of \$238,658.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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**Note 17 - Jointly Governed Organizations**

***A. South Eastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 30 participants consisting of 26 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2011, the School District paid \$74,943 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

***B. Washington County Career Center***

The Washington County Career Center, a joint vocational school, is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Ohio Valley Educational Service Center's Board. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Washington County Career Center, Joseph Crone, Treasurer, at 21740 SR 676, Marietta, Ohio 45750.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. The School District's membership fee was \$385 for fiscal year 2011. Financial information can be obtained from Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 18 - Insurance Purchasing Pools**

***A. Ohio School Boards Association Workers' Compensation Group Rating Plan***

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the Plan.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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***B. Ohio School Plan***

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the President of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**Note 19 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

***B. Litigation***

The School District is currently not a party to any legal proceedings.

**Note 20 - Set-Asides**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011*

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	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2010	\$52,820	\$259,812
Current Year Set-aside Requirement Designated by the Board	389,919 0	389,919 0
Qualifying Disbursements	(372,439)	(226,334)
Total	<u>\$70,300</u>	<u>\$423,397</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$70,300</u>	<u>\$423,397</u>

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2010/2011	10.555	\$ 46,567	\$ 46,567
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	55,612	55,612
National School Lunch Program	2010/2011	10.555	<u>296,652</u>	<u>296,652</u>
Cash Assistance Subtotal			<u>352,264</u>	<u>352,264</u>
Total Child Nutrition Cluster			<u>398,831</u>	<u>398,831</u>
Total U.S. Department of Agriculture			398,831	398,831
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title 1 Cluster:				
Title 1 Grants to Local Educational Agencies	2010	84.010	25,832	24,387
	2011		<u>166,240</u>	<u>155,726</u>
Total Title 1 Grants to Local Educational Agencies			192,072	180,113
ARRA - Title 1 Grants to Local Educational Agencies	2010	84.389	(3,897)	2,803
	2011		<u>74,509</u>	<u>71,664</u>
Total ARRA - Title 1 Grants to Local Educational Agencies			<u>70,612</u>	<u>74,467</u>
Total Title 1 Cluster			262,684	254,580
Special Education Cluster:				
Special Education - Grants to States	2010	84.027	28,080	40,140
	2011		<u>445,594</u>	<u>428,709</u>
Total Special Education - Grants to States			473,674	468,849
ARRA - Special Education - Grants to States	2010	84.391	30,264	42,025
			<u>75,745</u>	<u>72,716</u>
Total ARRA - Special Education - Grants to States			<u>106,009</u>	<u>114,741</u>
<i>Passed through Ohio Valley Educational Service Center:</i>				
Special Education - Preschool Grants	2011	84.173	<u>10,153</u>	<u>10,153</u>
Total Special Education Cluster			589,836	593,743
Safe and Drug-Free Schools and Communities - State Grants	2010	84.186	(546)	
	2011		<u>2,970</u>	<u>2,970</u>
Total Safe and Drug-Free Schools and Communities - State Grants			2,424	2,970
Education Technology State Grants	2010	84.318	1,104	
	2011		<u>74</u>	<u>805</u>
Total Education Technology State Grants			1,178	805
Improving Teacher Quality State Grants	2010	84.367	(2,527)	260
	2011		<u>112,648</u>	<u>112,649</u>
Total Improving Teacher Quality State Grants			110,121	112,909
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	900,416	900,416
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants	2011	84.395	<u>28,641</u>	<u>48,479</u>
Total U.S. Department of Education			<u>1,895,300</u>	<u>1,913,902</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,294,131</u></b>	<b><u>\$ 2,312,733</u></b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.*

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA – Title I Grants to Local Educational Agencies	84.389	\$3,897
Safe and Drug-Free Schools and Communities	84.186	546
Improving Teacher Quality State Grants	84.367	2,527



# Dave Yost • Auditor of State

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

Warren Local School District  
Washington County  
220 Sweetapple Road  
Vincent, Ohio 45784

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated August 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

### Compliance and Other Matters

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

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Warren Local School District  
Washington County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 12, 2011





# Dave Yost • Auditor of State

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

Warren Local School District  
Washington County  
220 Sweetapple Road  
Vincent, Ohio 45784

To the Board of Education:

### Compliance

We have audited the compliance of the Warren Local School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 12, 2011

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under §.510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA #'s 10.553 and 10.555 Title I Cluster CFDA #'s 84.010 and 84.389 State Fiscal Stabilization Fund – Education State Grants CFDA #84.394
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Warren Local School District  
Washington County  
220 Sweetapple Road  
Vincent, Ohio 45784

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 21, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

August 12, 2011

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# Dave Yost • Auditor of State

WARREN LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 30, 2011