



**Auditor of State  
Betty Montgomery**



**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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**Auditor of State  
Betty Montgomery**

**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 activities, each major fund and the aggregate remaining fund information of Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

Insurance claims reported in the Self-Insurance Fund (an internal service fund, included in the governmental activities and in the fund statements) are processed by service organizations that are independent of the School District. The service organizations did not provide us with the information we requested regarding the design or proper operation of their internal control relative to the processing of the School District's dental and prescription drug claim transactions. As a result, we were unable to perform procedures to satisfy ourselves as to the proper processing of the dental and prescription drug claims. Those claims represent 3.6% and 0.6% of the expenses and accrued liabilities, respectively, reported within the governmental activities, and 17.8% and 26.2% of the expenses and accrued liabilities, respectively, reported with the remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding dental and prescription drug claims, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Warren Local School District, Washington County, as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Warren Local School District, Washington County, as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof 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 January 25, 2005, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

January 25, 2005

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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The discussion and analysis of the Warren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2004 are as follows:

- In total, net assets decreased \$228,386. Net assets of governmental activities decreased \$249,609, which represents a 3% decrease from 2003. Net assets of business-type activities increased \$21,223 or 17% from 2003.
- General revenues accounted for \$18,254,799 in revenue or 90% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,140,354 or 10% of total revenues of \$20,395,153.
- Total program expenses were \$21,412,268; \$20,644,762 in governmental activities and \$767,506 in business-type activities.

**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 Warren Local 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 2004?" 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, 2004*  
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 Activities - These 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 programs are reported as business activities.

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

*Fund Financial Statements*

The analysis of the School District's major fund 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 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.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 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 2004 compared to 2003.

(Table 1)  
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$13,165,926	\$14,361,597	\$182,026	\$152,270	\$13,347,952	\$14,513,867
Capital Assets, Net	5,404,571	5,178,302	55,197	59,459	5,459,768	5,237,761
<i>Total Assets</i>	<u>18,570,497</u>	<u>19,539,899</u>	<u>237,223</u>	<u>211,729</u>	<u>18,807,720</u>	<u>19,751,628</u>
<b>Liabilities</b>						
Current and Other Liabilities	9,754,693	10,708,456	70,265	71,899	9,824,958	10,780,355
Long-term Liabilities						
Due Within One Year	189,495	158,360	0	0	189,495	158,360
Due in More Than One Year	1,588,184	1,385,360	19,918	14,013	1,608,102	1,399,373
<i>Total Liabilities</i>	<u>11,532,372</u>	<u>12,252,176</u>	<u>90,183</u>	<u>85,912</u>	<u>11,622,555</u>	<u>12,338,088</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	5,294,571	4,963,302	55,197	59,459	5,349,768	5,022,761
Restricted	235,090	348,296	0	0	235,090	348,296
Unrestricted	1,508,464	1,976,136	91,843	66,358	1,600,307	2,042,494
<i>Total Net Assets</i>	<u>\$7,038,125</u>	<u>\$7,287,734</u>	<u>\$147,040</u>	<u>\$125,817</u>	<u>\$7,185,165</u>	<u>\$7,413,551</u>

Total assets decreased \$943,908, with governmental assets decreasing \$969,402 and business-type assets increasing \$25,494. For governmental activities, over \$658,000 of the decrease is in equity in pooled cash and almost \$595,894 is in property taxes receivable while capital assets increased over \$226,000.

Total liabilities also decreased \$715,533, with governmental liabilities decreasing \$719,804. The largest decrease is with deferred revenue of nearly \$1,134,000, most of which is attributable to deferred property taxes. This decrease is offset by increases in accrued wages, benefits, and retirement of over \$218,000 and in sick leave benefits of nearly \$339,000. Business-type liabilities only increased \$4,271.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2004, and comparisons to fiscal year 2003.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

Table 2  
 Changes in Net Assets

	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities
	2004	2003	2004	2003
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$314,027	\$317,008	\$491,454	\$477,710
Operating Grants, Contributions and Interest	1,773,595	1,557,450	296,823	255,236
Capital Grants and Contributions	52,732	151,492	0	0
Total Program Revenues	<u>2,140,354</u>	<u>2,025,950</u>	<u>788,277</u>	<u>732,946</u>
General Revenues				
Property Taxes	7,938,270	7,192,121	0	0
Grants and Entitlements	10,220,566	9,518,630	0	0
Interest	66,792	119,759	452	0
Miscellaneous	23,439	76,035	0	0
Gain on Sale of Capital Assets	5,732	0	0	0
Total General Revenues	<u>18,254,799</u>	<u>16,906,545</u>	<u>452</u>	<u>0</u>
Total Revenues	<u>20,395,153</u>	<u>18,932,495</u>	<u>788,729</u>	<u>732,946</u>
<b>Program Expenses</b>				
Instruction:				
Regular	10,880,070	9,367,300	0	0
Special	1,909,262	1,666,507	0	0
Vocational	158,458	273,397	0	0
Support Services:				
Pupils	852,848	682,936	0	0
Instructional Staff	828,529	652,347	0	0
Board of Education	73,694	81,569	0	0
Administration	1,655,111	1,550,977	0	0
Fiscal	570,585	610,773	0	0
Business	1,989	9,058	0	0
Operation and Maintenance				
of Plant	1,769,843	1,732,061	0	0
Pupil Transportation	1,457,768	1,335,043	0	0
Operation of Non-Instructional				
Service	27,112	41,821	0	0
Extracurricular Activities	448,045	440,210	0	0
Interest and Fiscal Charges	11,448	20,095	0	0
Food Service	0	0	767,506	714,271
Total Expenses	<u>20,644,762</u>	<u>18,464,094</u>	<u>767,506</u>	<u>714,271</u>
Increase (Decrease) in Net Assets	<u>(\$249,609)</u>	<u>\$468,401</u>	<u>\$21,223</u>	<u>\$18,675</u>

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 39% of revenues for governmental activities for the Warren Local School District in fiscal year 2004.

Instruction comprises approximately 63% of governmental program expenses.

***Governmental Activities***

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows 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>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,880,070	\$10,383,168	\$9,367,300	\$8,994,648
Special	1,909,262	913,008	1,666,507	822,594
Vocational	158,458	126,864	273,397	232,462
Support Services:				
Pupil	852,848	814,217	682,936	633,442
Instructional Staff	828,529	702,254	652,347	504,676
Board of Education	73,694	73,694	81,569	81,569
Administration	1,655,111	1,451,159	1,550,977	1,349,204
Fiscal	570,585	566,692	610,773	608,694
Business	1,989	1,989	9,058	839
Operation and Maintenance of Plant	1,769,843	1,762,706	1,732,061	1,719,424
Pupil Transportation	1,457,768	1,378,088	1,335,043	1,170,266
Operation of Non-Instructional Services	27,112	16,479	41,821	30,237
Extracurricular Activities	448,045	302,642	440,210	269,994
Interest and Fiscal Charges	11,448	11,448	20,095	20,095
<b>Total</b>	<u><u>\$20,644,762</u></u>	<u><u>\$18,504,408</u></u>	<u><u>\$18,464,094</u></u>	<u><u>\$16,438,144</u></u>

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2004, approximately 71% of instruction activities were supported through taxes and other general revenues.

***Business-Type Activities***

The business-types activities involve the School's food service operation. This program had revenues of \$788,277 and expenses of \$767,506 for fiscal year 2004. The revenues exceeded the expenses for this reported fiscal year and the two previous years.

**The School District Funds**

The School District's major fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,890,131 and expenditures of \$20,653,896. No significant increases or decreases from 2003 occurred in the General Fund.

***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 2004, 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 \$18,309,570, below original estimates of \$18,652,672. The difference was due to less state foundation funding being collected than had been anticipated. Expenditures of \$18,506,652 were lower than original appropriations of \$19,214,646. This is due to conservative expenditures being made, especially in the area of capital expenditures.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
 Unaudited

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2004, the School District had \$5,459,768 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003.

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$229,101	\$232,702	\$0	\$0	\$229,101	\$232,702
Buildings and Improvements	3,584,080	3,258,342	0	0	3,584,080	3,258,342
Furniture and Equipment	582,308	540,684	55,197	59,459	637,505	600,143
Vehicles	998,986	1,146,574	0	0	998,986	1,146,574
Construction in Progress	10,096	0	0	0	10,096	0
<b>Totals</b>	<b>\$5,404,571</b>	<b>\$5,178,302</b>	<b>\$55,197</b>	<b>\$59,459</b>	<b>\$5,459,768</b>	<b>\$5,237,761</b>

During fiscal year 2004, the School District made improvements to the parking lots and driveways; replaced the athletic running track; purchased furniture and computers; and made expenditures on engineering services for the replacement of the high school gym floor. See note 10 to the basic financial statements for more information on capital assets.

**Debt**

At June 30, 2004, the School District had \$110,000 in School Bus bonds outstanding which had been issued in fiscal year 2000. See Note 15 to the basic financial statements for more information on debt.

**Current Issues**

Over the past several years the School District has remained in a stable financial position. Approximately 99% of the School District is in Washington County and the remaining 1% is in Athens County. Washington County went through a property reappraisal in calendar year 1998. This reappraisal increased the School District's property valuation \$29 million dollars. A new appraisal was conducted in 2004 with an increase of an unspecified amount expected.

As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain financial stability. This situation has been enhanced by the passage of a five-year renewal of a 6.8 mill emergency levy by the voters in the November 2004 general election.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Facility needs remain a part of the significant outlays expected by the District in the future for upkeep due to the defeat of a Bond Issue in November 2003.

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
Unaudited

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

This financial report is designed to provide our citizen's, 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 Sidney Brackenridge, Treasurer at Warren Local School District, 220 Sweetapple Road, Vincent, Ohio 45784, or e-mail at [w1\\_sbrackenr@seovec.org](mailto:w1_sbrackenr@seovec.org).

## Warren Local School District, Ohio

### Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,693,857	\$135,181	\$4,829,038
Cash and Cash Equivalents in Segregated Accounts	1,399	0	1,399
Cash and Cash Equivalents with Fiscal Agents	531	0	531
Inventory Held for Resale	0	11,285	11,285
Materials and Supplies Inventory	87,188	5,593	92,781
Intergovernmental Receivable	176,484	27,327	203,811
Prepaid Items	150,257	2,565	152,822
Internal Balances	(75)	75	0
Accounts Receivable	619	0	619
Property Taxes Receivable	8,055,666	0	8,055,666
Nondepreciable Capital Assets	239,197	0	239,197
Depreciable Capital Assets, Net	5,165,374	55,197	5,220,571
<i>Total Assets</i>	18,570,497	237,223	18,807,720
<b>Liabilities</b>			
Accounts Payable	42,522	250	42,772
Accrued Wages and Benefits Payable	1,692,473	44,534	1,737,007
Accrued Interest Payable	1,398	0	1,398
Vacation Benefits Payable	82,626	0	82,626
Deferred Revenue	7,247,078	0	7,247,078
Matured Interest Payable	531	0	531
Intergovernmental Payable	614,658	25,481	640,139
Claims Payable	73,407	0	73,407
Long-Term Liabilities:			
Due Within One Year	189,495	0	189,495
Due In More Than One Year	1,588,184	19,918	1,608,102
<i>Total Liabilities</i>	11,532,372	90,183	11,622,555
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	5,294,571	55,197	5,349,768
Restricted for:			
Capital Projects	466	0	466
Bus Purchase	161,626	0	161,626
Textbooks	13,664	0	13,664
Other Purposes	59,334	0	59,334
Unrestricted	1,508,464	91,843	1,600,307
<i>Total Net Assets</i>	\$7,038,125	\$147,040	\$7,185,165

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues				Net (Expense)Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$10,880,070	\$119,642	\$377,260	\$0	(\$10,383,168)	\$0	(\$10,383,168)
Special	1,909,262	0	996,254	0	(913,008)	0	(913,008)
Vocational	158,458	0	31,594	0	(126,864)	0	(126,864)
Support Services:							
Pupils	852,848	0	38,631	0	(814,217)	0	(814,217)
Instructional Staff	828,529	0	108,275	18,000	(702,254)	0	(702,254)
Board of Education	73,694	0	0	0	(73,694)	0	(73,694)
Administration	1,655,111	52,488	151,464	0	(1,451,159)	0	(1,451,159)
Fiscal	570,585	0	3,893	0	(566,692)	0	(566,692)
Business	1,989	0	0	0	(1,989)	0	(1,989)
Operation and							
Maintenance of Plant	1,769,843	3,121	4,016	0	(1,762,706)	0	(1,762,706)
Pupil Transportation	1,457,768	2,092	42,856	34,732	(1,378,088)	0	(1,378,088)
Operation of Non-Instructional							
Services	27,112	0	10,633	0	(16,479)	0	(16,479)
Extracurricular Activities	448,045	136,684	8,719	0	(302,642)	0	(302,642)
Interest and Fiscal Charges	11,448	0	0	0	(11,448)	0	(11,448)
<i>Total Governmental Activities</i>	20,644,762	314,027	1,773,595	52,732	(18,504,408)	0	(18,504,408)
<b>Business-Type Activity</b>							
Food Service	767,506	491,454	296,823	0	0	20,771	20,771
<i>Totals</i>	<u>\$21,412,268</u>	<u>\$805,481</u>	<u>\$2,070,418</u>	<u>\$52,732</u>	<u>(18,504,408)</u>	<u>20,771</u>	<u>(18,483,637)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					7,840,231	0	7,840,231
Debt Service					98,039	0	98,039
Grants and Entitlements not							
Restricted to Specific Programs					10,220,566	0	10,220,566
Interest					66,792	452	67,244
Gain on Sale of Capital Assets					5,732	0	5,732
Miscellaneous					23,439	0	23,439
<i>Total General Revenues</i>					<u>18,254,799</u>	<u>452</u>	<u>18,255,251</u>
<i>Change in Net Assets</i>					(249,609)	21,223	(228,386)
<i>Net Assets Beginning of Year</i>					<u>7,287,734</u>	<u>125,817</u>	<u>7,413,551</u>
<i>Net Assets End of Year</i>					<u>\$7,038,125</u>	<u>\$147,040</u>	<u>\$7,185,165</u>

See accompanying notes to the basic financial statements

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**Warren Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,395,498	\$1,002,662	\$4,398,160
Cash and Cash Equivalents in Segregated Accounts	0	1,399	1,399
Cash and Cash Equivalents with Fiscal Agents	0	531	531
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	175,290	0	175,290
Receivables:			
Property Taxes	7,938,956	116,710	8,055,666
Accounts	619	0	619
Intergovernmental	9,941	166,543	176,484
Interfund	120,406	0	120,406
Prepaid Items	145,919	4,338	150,257
Materials and Supplies Inventory	87,188	0	87,188
<i>Total Assets</i>	<u>\$11,873,817</u>	<u>\$1,292,183</u>	<u>\$13,166,000</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$41,418	\$1,104	\$42,522
Accrued Wages and Benefits Payable	1,629,596	62,877	1,692,473
Interfund Payable	75	120,406	120,481
Matured Interest Payable	0	531	531
Intergovernmental Payable	460,372	13,761	474,133
Deferred Revenue	7,821,150	121,910	7,943,060
<i>Total Liabilities</i>	<u>9,952,611</u>	<u>320,589</u>	<u>10,273,200</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	126,685	17,341	144,026
Reserved for Property Taxes	121,539	0	121,539
Reserved for Bus Purchase	161,626	0	161,626
Reserved for Textbooks	13,664	0	13,664
Unreserved, Undesignated, Reported in:			
General Fund	1,497,692	0	1,497,692
Special Revenue Funds	0	37,668	37,668
Capital Projects Funds	0	916,585	916,585
<i>Total Fund Balances</i>	<u>1,921,206</u>	<u>971,594</u>	<u>2,892,800</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$11,873,817</u>	<u>\$1,292,183</u>	<u>\$13,166,000</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, 2004*

<b>Total Governmental Fund Balances</b>		\$2,892,800
 <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.		5,404,571
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	687,049	
Grants	5,200	
Other	956	
Student Fees	2,777	695,982
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.		47,000
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the Balance Sheet.		(1,398)
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.		(82,626)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(140,525)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Bus Bonds Payable	(110,000)	
Sick Leave Benefits Payable	(1,667,679)	(1,777,679)
<b>Net Assets of Governmental Activities</b>		<b>\$7,038,125</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, 2004*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$7,235,040	\$117,695	\$7,352,735
Intergovernmental	10,901,637	1,217,237	12,118,874
Interest	5,493	61,374	66,867
Tuition and Fees	121,737	0	121,737
Extracurricular Activities	0	154,967	154,967
Rent	2,206	0	2,206
Contributions and Donations	0	20,937	20,937
Miscellaneous	8,243	43,565	51,808
<i>Total Revenues</i>	<u>18,274,356</u>	<u>1,615,775</u>	<u>19,890,131</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	10,050,038	661,553	10,711,591
Special	1,429,923	431,381	1,861,304
Vocational	202,776	2,087	204,863
Support Services:			
Pupils	754,579	37,546	792,125
Instructional Staff	672,935	138,355	811,290
Board of Education	72,723	0	72,723
Administration	1,418,979	225,906	1,644,885
Fiscal	563,426	4,495	567,921
Business	1,887	0	1,887
Operation and Maintenance of Plant	1,718,795	4,827	1,723,622
Pupil Transportation	1,290,842	8,514	1,299,356
Operation of Non-Instructional Services	2,133	18,514	20,647
Extracurricular Activities	353,689	161,919	515,608
Capital Outlay	0	308,379	308,379
Debt Service:			
Principal Retirement	0	105,000	105,000
Interest and Fiscal Charges	0	12,695	12,695
<i>Total Expenditures</i>	<u>18,532,725</u>	<u>2,121,171</u>	<u>20,653,896</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(258,369)</u>	<u>(505,396)</u>	<u>(763,765)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	0	42,000	42,000
Transfers In	0	7,488	7,488
Transfers Out	(6,962)	(526)	(7,488)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,962)</u>	<u>48,962</u>	<u>42,000</u>
<i>Net Change in Fund Balances</i>	(265,331)	(456,434)	(721,765)
<i>Fund Balances Beginning of Year</i>	<u>2,186,537</u>	<u>1,428,028</u>	<u>3,614,565</u>
<i>Fund Balances End of Year</i>	<u>\$1,921,206</u>	<u>\$971,594</u>	<u>\$2,892,800</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, 2004*

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**Net Change in Fund Balances - Total Governmental Funds** (\$721,765)

*Amounts reported for governmental activities in the statement of activities  
are different because*

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

Capital Asset Additions	663,671	
Depreciation Expense	(401,134)	262,537

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. This is the amount of the capital asset disposals: (36,268)

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

Student Fees	(2,095)	
Grants	(81,200)	
Other	956	
Contributions and Donations	(3,906)	
Delinquent Taxes	585,535	499,290

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 105,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 1,247

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

Intergovernmental Payable	(9,925)	
Vacation Benefits Payable	(13,118)	
Sick Leave Benefits Payable	(338,959)	(362,002)

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. 2,352

*Change in Net Assets of Governmental Activities* (\$249,609)

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$7,270,534	\$6,818,662	\$7,282,026	\$463,364
Intergovernmental	11,247,171	10,548,146	10,895,201	347,055
Interest	4,218	3,956	5,493	1,537
Tuition and Fees	117,474	110,173	116,910	6,737
Rent	1,066	1,000	2,206	1,206
Miscellaneous	12,209	11,450	7,734	(3,716)
<i>Total Revenues</i>	<u>18,652,672</u>	<u>17,493,387</u>	<u>18,309,570</u>	<u>816,183</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,191,674	10,179,747	9,985,397	194,350
Special	1,436,702	1,435,021	1,427,668	7,353
Vocational	253,451	253,154	213,727	39,427
Support Services:				
Pupils	670,413	669,628	740,755	(71,127)
Instructional Staff	713,738	712,903	670,224	42,679
Board of Education	93,671	93,561	76,402	17,159
Administration	1,414,033	1,412,378	1,412,537	(159)
Fiscal	655,204	654,437	564,630	89,807
Business	0	0	1,703	(1,703)
Operation and Maintenance of Plant	2,105,153	2,102,689	1,792,235	310,454
Pupil Transportation	1,342,323	1,340,752	1,271,772	68,980
Non-Instructional Services	2,002	2,000	2,133	(133)
Extracurricular Activities	336,282	335,888	347,469	(11,581)
<i>Total Expenditures</i>	<u>19,214,646</u>	<u>19,192,158</u>	<u>18,506,652</u>	<u>685,506</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(561,974)</u>	<u>(1,698,771)</u>	<u>(197,082)</u>	<u>1,501,689</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	0	7,564	7,564
Advances In	33,747	31,650	31,650	0
Transfers In	36,405	34,142	0	(34,142)
Advances Out	(60,070)	(60,000)	(120,406)	(60,406)
Transfers Out	0	0	(6,962)	(6,962)
<i>Total Other Financing Sources (Uses)</i>	<u>10,082</u>	<u>5,792</u>	<u>(88,154)</u>	<u>(93,946)</u>
<i>Net Change in Fund Balance</i>	<u>(551,892)</u>	<u>(1,692,979)</u>	<u>(285,236)</u>	<u>1,407,743</u>
<i>Fund Balance Beginning of Year</i>	3,481,189	3,481,189	3,481,189	0
Prior Year Encumbrances Appropriated	224,083	224,083	224,083	0
<i>Fund Balance End of Year</i>	<u>\$3,153,380</u>	<u>\$2,012,293</u>	<u>\$3,420,036</u>	<u>\$1,407,743</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2004*

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$135,181	\$120,407
Inventory Held for Resale	11,285	0
Materials and Supplies Inventory	5,593	0
Interfund Receivable	75	0
Intergovernmental Receivable	27,327	0
Prepaid Items	2,565	0
<i>Total Current Assets</i>	182,026	120,407
Noncurrent Assets:		
Depreciable Capital Assets, net	55,197	0
<i>Total Assets</i>	237,223	120,407
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable	250	0
Accrued Wages and Benefits	44,534	0
Intergovernmental Payable	25,481	0
Claims Payable	0	73,407
<i>Total Current Liabilities</i>	70,265	73,407
Long-term Liabilities:		
Sick Leave Benefits Payable	19,918	0
<i>Total Liabilities</i>	90,183	73,407
<b>Net Assets</b>		
Invested in Capital Assets	55,197	0
Unrestricted	91,843	47,000
<b>Total Net Assets</b>	<b>\$147,040</b>	<b>\$47,000</b>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2004*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Operating Revenues</b>		
Sales	\$491,454	\$0
Charges for Services	0	771,268
<i>Total Operating Revenues</i>	<u>491,454</u>	<u>771,268</u>
<b>Operating Expenses</b>		
Salaries	259,276	0
Fringe Benefits	122,061	0
Purchased Services	9,527	10,099
Materials and Supplies	62,707	0
Cost of Sales	307,705	0
Depreciation	6,230	0
Claims	0	758,817
<i>Total Operating Expenses</i>	<u>767,506</u>	<u>768,916</u>
<i>Operating Income (Loss)</i>	<u>(276,052)</u>	<u>2,352</u>
<b>Non-Operating Revenues</b>		
Federal Donated Commodities	83,402	0
Interest	452	0
Federal and State Subsidies	213,421	0
<i>Total Non-Operating Revenues</i>	<u>297,275</u>	<u>0</u>
<i>Net Change in Net Assets</i>	21,223	2,352
<i>Net Assets at Beginning of Year</i>	<u>125,817</u>	<u>44,648</u>
<i>Net Assets at End of Year</i>	<u><u>\$147,040</u></u>	<u><u>\$47,000</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2004

	Business-Type Activity	Governmental Activities
		Dental and Prescription Insurance Internal Service Fund
	Food Service Enterprise Fund	Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$491,379	\$0
Cash Received from Quasi-External Transactions with Other Funds	0	771,268
Cash Payments to Suppliers for Goods and Services	(295,899)	(10,099)
Cash Payments for Employee Services	(253,123)	0
Cash Payments for Employee Benefits	(122,245)	0
Cash Payments for Claims	0	(756,775)
Net Cash Provided by (Used for) Operating Activities	(179,888)	4,394
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating Grants Received	211,242	0
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for Capital Acquisitions	(1,968)	0
<b>Cash Flows from Investing Activities</b>		
Interest	452	0
<i>Net Increase in Cash and Cash Equivalents</i>	29,838	4,394
<i>Cash and Cash Equivalents at Beginning of Year</i>	105,343	116,013
<i>Cash and Cash Equivalents at End of Year</i>	\$135,181	\$120,407
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>		
Operating Income (Loss)	(\$276,052)	\$2,352
Depreciation	6,230	0
Donated Commodities Received During Year	83,402	0
Changes in Assets and Liabilities:		
Increase in Due from Other Funds	(75)	0
Increase in Inventory Held for Resale	(603)	0
Decrease in Materials and Supplies Inventory	2,214	0
Decrease in Prepaid Items	725	0
Decrease in Accounts Payable	(973)	0
Decrease in Accrued Wages and Benefits Payable	(658)	0
Increase in Sick Leave Benefits Payable	5,905	0
Increase in Intergovernmental Payable	(3)	0
Increase in Claims Payable	0	2,042
Net Cash Provided by (Used for) Operating Activities	(\$179,888)	\$4,394

Non-Cash Non-Capital Financing Transactions: During fiscal year 2004, the Food Service Enterprise Fund received \$83,402 in donated commodities.

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2004*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$19,223</u>
<b>Liabilities</b>	
Due to Students	<u>\$19,223</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, 2004*

	Private Purpose Trust
	Tracy Scholarship
<b>Additions</b>	
Gifts and Contributions	\$1,505
<b>Deductions</b>	
Scholarships Awarded	1,505
<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

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## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

Warren Local School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 83 classified employees and 194 certified personnel, who provide services to 2,603 students and other community members.

#### *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 Warren Local 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 four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 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 provided they do not 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 activities 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, 2004*

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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 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 only major fund is the General Fund.

**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.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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***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 only trust fund is a private purpose trust which accounts for a college scholarship program for 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.

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 a flow of economic resources measurement focus.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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### ***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; fiduciary funds use the 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, 2004, but which were levied to finance fiscal year 2005 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.

***Expenses/Expenditures*** On the accrual basis, 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.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***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 "cash and cash equivalents" on the financial statements.

During fiscal year 2004, investments consisted of federal agency discount notes, which are reported at fair value based on quoted market prices.

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 Capital Projects Fund during fiscal year 2004 amounted to \$61,299, which includes \$47,183 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.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agents" and represents deposits.

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, 2004, 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.

***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.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 activities column of the government-wide statement of net assets and in the fund.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of fifteen hundred 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, land improvements, and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

***I. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

***J. 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 imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material. See Note 19 for additional information regarding set-asides.

***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 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 classified and certified employees within five years of retirement.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***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 contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***M. Interfund Activity***

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

***N. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, bus purchases, and textbooks.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

***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 the enabling legislation adopted by the School District 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 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.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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***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 charges for services for self-insurance 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 and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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 statement 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.

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 prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Note 3 – Change in Accounting Principles**

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”. This Statement further defines the guidelines of GASB Statement No. 14, “The Financial Reporting Entity”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2003.

**Note 4 – Fund Deficits**

Fund balances at June 30, 2004, included the following individual fund deficits:

*Special Revenue Funds:*

IDEA-B	\$22,043
Disadvantaged Pupil Impact Aide	8,543
Title IIA	5,018
Title IVA	621
Title V	250

The special revenue deficit balances resulted from adjustments for accrued liabilities. The General Fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**Note 5 - 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 and Actual (Budget Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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. Unrecorded cash expenditures represent amount spent but not included as expenditures on the budget basis operating statements. These amounts are included as expenditures on the GAAP basis operating statement.

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, 2004*

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Net Change in Fund Balance

GAAP Basis	(\$265,331)
Net Adjustment for Revenue Accruals	42,778
Prepaid Items:	
Beginning of Fiscal Year	143,532
End of Fiscal Year	(145,919)
Net Adjustment for Expenditure Accruals	181,106
Unrecorded Expenditure	(947)
Advances In	31,650
Advances Out	(120,406)
Adjustment for Encumbrances	<u>(151,699)</u>
Budget Basis	<u><u>(\$285,236)</u></u>

**Note 6 - Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At fiscal year end, the School District had \$1,915 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$1,409,957 and the bank balance was \$1,705,487. Of the bank balance:

1. \$344,304 was covered by federal depository insurance; and
2. \$1,361,183 was collateralized with securities held by the pledging financial institution's trust department in the School District's name.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

<u>Investment</u>	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Bank Notes	\$1,241,626	\$1,241,626
Federal Home Loan Mortgage Corporation Notes	247,168	247,168
Federal National Mortgage Association Notes	98,844	98,844
Federal Home Loan Mortgage Corporation Discount Notes	790,730	790,730
Federal Home Loan Bank Discount Notes	599,580	599,580
STAROhio	0	460,371
<b>Total</b>	<u>\$2,977,948</u>	<u>\$3,438,319</u>

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments and the financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$4,850,191	\$0
STAROhio	(460,371)	460,371
Agency Securities	(2,977,948)	2,977,948
Cash on Hand	(1,915)	0
<b>GASB Statement 3</b>	<u>\$1,409,957</u>	<u>\$3,438,319</u>

**Note 7 - 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.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington and Athens Counties. The County Auditors 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, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2004, 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 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. 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 is deferred. The amount available as an advance at June 30, 2004, was \$121,539 and is recognized as revenue in the General Fund. The amount available as an advance to the General Fund at June 30, 2003, was \$168,525.

The assessed values upon which the fiscal year 2004 taxes were collected are:

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$158,069,700	62.30%	\$165,250,660	64.12%
Public Utility Personal	25,567,210	10.08%	25,557,580	9.91%
Tangible Personal Property	70,075,880	27.62%	66,922,770	25.97%
<b>Total</b>	<b>\$253,712,790</b>	<b>100.00%</b>	<b>\$257,731,010</b>	<b>99.99%</b>
Tax Rate per \$1,000 of assessed valuation	\$35.90		\$35.90	

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, accounts (rent, student fees and tuition), 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. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
IDEA-B	\$93,067
Title I	17,429
Title II-A	15,812
Title V	4,728
Title IV-A	3,718
Title II-D	344
High Schools That Work	4,216
Student Reading Intervention	25,129
Agricultural Education Grant	2,100
Tuition from Other Schools	2,777
Rollback and Homestead	5,966
Other	1,198
<b>Total Governmental Activities</b>	<b>176,484</b>
<b>Business-Type Activity</b>	
School Lunch Reimbursement	27,327
<b>Total</b>	<b>\$203,811</b>

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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**Note 9 - Interfund Activity**

***A. Transfers***

Transfers made during fiscal year 2004 were \$4,722, \$2,000 and \$240, to the Athletic and Music, Public School Support and Miscellaneous State Grants Special Revenue Funds, respectively, from the General Fund. The transfers to the grant funds were to cover additional expenditures of the program not covered by the grant dollars. The transfer to the Athletic and Music and Public School Support Funds were to cover additional expenditures of the programs not covered by fees. Also, the Title I Special Revenue Fund transferred \$526 of unspent grant dollars to the Title II-A Special Revenue Fund.

***B. Balances***

Interfund balances at June 30, 2004, consisted of the following for services provided by the General Fund:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$120,406	\$75
Student Reading Intervention	0	25,129
Miscellaneous State Grants	0	1,312
IDEA-B	0	80,655
Title I	0	2,354
Title V	0	4,728
Title IV	0	3,543
Title II-A	0	2,685
Total Special Revenue Funds	<u>0</u>	<u>120,406</u>
Food Service Enterprise Fund	<u>75</u>	<u>0</u>
Total All Funds	<u><u>\$120,481</u></u>	<u><u>\$120,481</u></u>

At year end, the General Fund owed \$75 for services provided by the Food Service Enterprise Fund.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/04</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	232,702	\$0	(\$3,601)	\$229,101
Construction in Progress	0	10,096	0	10,096
Total capital assets not being depreciated	<u>232,702</u>	<u>10,096</u>	<u>(3,601)</u>	<u>239,197</u>
Capital assets being depreciated				
Buildings and improvement	8,399,651	498,094	(35,000)	8,862,745
Furniture and equipment	1,764,453	155,481	0	1,919,934
Vehicles	2,310,134	0	(136,690)	2,173,444
Total other capital assets	<u>12,474,238</u>	<u>653,575</u>	<u>(171,690)</u>	<u>12,956,123</u>
Accumulated depreciation				
Buildings and improvement	(5,141,309)	(139,689)	2,333	(5,278,665)
Furniture and equipment	(1,223,769)	(113,857)	0	(1,337,626)
Vehicles	(1,163,560)	(147,588)	136,690	(1,174,458)
Total accumulated depreciation	<u>(7,528,638)</u>	<u>(401,134)*</u>	<u>139,023</u>	<u>(7,790,749)</u>
Capital assets being depreciated, net	<u>4,945,600</u>	<u>252,441</u>	<u>(32,667)</u>	<u>5,165,374</u>
Governmental Activities capital assets, net	<u><u>\$5,178,302</u></u>	<u><u>\$262,537</u></u>	<u><u>(\$36,268)</u></u>	<u><u>\$5,404,571</u></u>
<b>Business-Type Activity:</b>				
Capital assets being depreciated				
Furniture and Fixtures	\$274,531	\$1,968	\$0	\$276,499
Less Accumulated Depreciation	<u>(214,998)</u>	<u>(6,304)</u>	<u>0</u>	<u>(221,302)</u>
Business-Type Activity capital assets, net	<u><u>\$59,533</u></u>	<u><u>(\$4,336)</u></u>	<u><u>\$0</u></u>	<u><u>\$55,197</u></u>

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

Instruction:	
Regular	\$125,588
Special Instruction	10,609
Vocational	2,821
Support Services:	
Pupils	9,349
Instructional Staff	23,667
Administration	11,671
Fiscal	3,144
Operation and Maintenance of Plant	18,715
Pupil Transportation	150,821
Extracurricular Activities	38,194
Operation of Non-Instructional Services	6,555
Total Depreciation Expense	<u>\$401,134</u>

\$5,963,047 of the \$13,195,320 (or 45%) of the School District's governmental capital assets were fully depreciated at June 30, 2004; while \$151,292 of the \$276,499 (or 55%) of the business-type capital assets were fully depreciated at June 30, 2004. These assets are still in use at fiscal year end.

**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 2004, the School District contracted with Utica National Insurance Company for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$36,428,500 on buildings and contents. The policies include a \$5,000 deductible.

Professional and general liability is protected by the Utica National Insurance Group with a \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Vehicles are covered by Utica National Insurance Group with a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision. Automobile liability has a \$1,000,000 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.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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***B. Workers' Compensation***

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. 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.

***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, 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 \$73,407 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator 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 reported. 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
2003	\$66,196	\$646,135	\$640,966	\$71,365
2004	71,365	758,817	756,775	73,407

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**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 and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. No more than two weeks of vacation is permitted to be carried forward and should be used in the fiscal year following accrual. Teachers and administrators who work less than 260 days per year 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 215 days. Upon retirement, certificated employees receive payments for 43.75% of the total sick leave accumulated. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation.

***B. Insurance***

The School District provides health and major medical insurance through Medical Mutual for all eligible employees. The School District pays monthly premiums of up to \$662.26 for family coverage and up to \$247.73 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Life in the amount of \$30,000 for classified employees and \$25,000 for certified employees.

**Note 13 - Defined Benefit Pension Plans**

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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit 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 43215-3476.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$236,631, \$204,856, and \$130,980, respectively; 49.77 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, 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 2003, the portion 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% for members and 14% 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 the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$1,232,622, \$1,042,039, and \$796,349, respectively; 81.42 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$8,405 made by the School District and \$11,680 made by the plan members.

### ***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, 2004, four 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, 2004*

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### **Note 14 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$94,817 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits during the 2004 fiscal year equaled \$165,405.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/03	Additions	Reductions	Principal Outstanding 6/30/04	Amounts Due in One Year
<b>Governmental Activities</b>					
June 1, 2000, \$495,000					
School Bus Bonds - 5.55%-6.1%	\$215,000	\$0	\$105,000	\$110,000	\$110,000
Sick Leave Benefits	1,328,720	399,080	60,121	1,667,679	79,495
Total Governmental Activities	<u>\$1,543,720</u>	<u>\$399,080</u>	<u>\$165,121</u>	<u>\$1,777,679</u>	<u>\$189,495</u>
<b>Business-Type Activity</b>					
Sick Leave Benefits	<u>\$14,013</u>	<u>\$5,971</u>	<u>\$66</u>	<u>\$19,918</u>	<u>\$0</u>

The school bus acquisition bonds were issued for a 5 year period with final maturity during fiscal year 2005. The debt will be repaid through tax revenue allocations from the General Fund to the Bond Retirement Debt Service Fund to meet current fiscal year principal and interest obligations.

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

The overall debt margin of the School District as of June 30, 2004, was \$23,195,791, with an unvoted debt margin of \$257,731. Principal and interest requirements to retire the general obligation bus bonds outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$110,000	\$6,710	\$116,710

**Note 16 - Jointly Governed Organizations**

**A. Southeastern 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 38 participants consisting of 30 school districts and 8 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 2004, the School District paid \$64,595 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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

The Washington County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school districts' elected boards and one representative from the Washington County 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, Mary Bee, 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 including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service training programs for school district administrative personnel; gathering of data regarding conditions of education 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 Council 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 Council. The School District's membership fee was \$390 for fiscal year 2004.

***D. South Eastern Ohio Special Education Regional Resource Center (SEOSERRC)***

SEOSERRC is a special education regional resource center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, and representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2004, the School District paid \$9,548 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 17 - Insurance Purchasing Pool**

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

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP'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 program.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2004*

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**Note 18 - 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, 2004.

**B. Litigation**

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

**Note 19 - 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. In prior fiscal years, the School District was also required to set aside money for budget stabilization.

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.

	Capital Improvements Reserve	Textbooks/ Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2003	\$0	\$95,009
Current Year Set-aside Requirement	368,538	368,538
Offset Credits	(42,580)	0
Qualifying Disbursements	(713,114)	(449,883)
Total	<u>(\$387,156)</u>	<u>\$13,664</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$13,664</u>

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 20 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...”

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

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**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 83,402	\$	\$ 83,402
School Breakfast Program	10.553	05PU-2003	2,277		2,277	
		05PU-2004	5,818		5,818	
Total School Breakfast Program			8,095	0	8,095	0
National School Lunch Program	10.555	LLP4-2003	50,980		50,980	
		LLP4-2004	143,933		143,933	
Total National School Lunch Program			194,913	0	194,913	0
Total Nutrition Cluster			203,008	83,402	203,008	83,402
Team Nutrition Grants	10.574	TWSU-2004	10,000		10,000	
Total United States Department of Agriculture			213,008	83,402	213,008	83,402
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2003	(16,616)		12,303	
		C1S1-2004	249,303		251,641	
Total Title I Grants to Local Educational Agencies			232,687	0	263,944	0
Special Education - Grants to States	84.027	6BSF-2003P	35,534		16,310	
		6BSF-2004	227,661		307,863	
Total Special Education - Grants to States			263,195	0	324,173	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2003	741			
		DRS1-2004	11,391		14,933	
Total Safe and Drug-Free Schools and Communities - State Grants			12,132	0	14,933	0
Twenty - First Century Community Learning Centers	84.287	T1S1-2004	248,940		248,940	
State Grants for Innovative Programs	84.298	C2S1-2003	458			
		C2S1-2004	16,002		20,730	
Total State Grants for Innovative Programs			16,460	0	20,730	0
Education Technology - State Grants	84.318	TJS1-2003	12		300	
		TJ-S1-2004	6,470		6,815	
Total Education Technology - State Grants			6,482	0	7,115	0
Special Education - State Program Improvement Grants for Children with Disabilities	84.323	STS1-2003	35,442		45,840	
Improving Teacher Quality State Grants	84.367	TRS1-2003	18,517		14,318	0
		TRS1-2004	92,633		95,310	0
Total Improving Teacher Quality State Grants			111,150	0	109,628	0
Total United States Department of Education			926,488	0	1,035,303	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	N/A	19,042			
Total United States Department of Health and Human Services			19,042	0	0	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 1,158,538</b>	<b>\$ 83,402</b>	<b>\$ 1,248,311</b>	<b>\$ 83,402</b>

*The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – TRANSFERS**

During fiscal year 2004, the Ohio Department of Education (ODE) authorized the School District carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the carryovers and transfers are as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2003	\$ 16,616	\$
84.010	Title I Grants to Local Educational Agencies	C1S1-2004		16,090
84.367	Improving Teacher Quality State Grants	TRS1-2003		526
Totals			<u>\$ 16,616</u>	<u>\$ 16,616</u>

**NOTE D – TEMPARY ASSISTANCE TO NEEDY FAMILIES (TANF)**

The School District applied for and received federal TANF funds for Student Intervention Reimbursement through the Ohio Department of Job and Family Services. The actual expenditure of the funds occurred in fiscal year 2003 and the District was reimbursed for the disbursements in fiscal year 2004. Therefore, the June 30, 2004 Schedule of Federal Awards Receipts and Expenditures only reports actual receipts of \$19,042 and zero expenditures. These funds were not available to the School District for fiscal year 2005 programs.



**Auditor of State  
Betty Montgomery**

**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, business-type activities, each major fund, and the aggregate remaining fund information of Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 14, 2005, which was qualified since certain information related to Internal Service Fund dental and prescription drug claims expenses and liabilities reported within governmental activities and remaining fund information was not available for audit. Except for the matter relating to dental and prescription drug claims transactions discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the basic financial statements we audited may occur and not be detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above to be a material weakness. In a separate letter to the School District's management dated January 25, 2005, we reported other matters involving internal control over financial reporting.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's basic 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated January 25, 2005, we reported other instances of noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 25, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 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 are applicable to each of its major federal programs for the year ended June 30, 2004. The School District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the 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 are applicable to each of its major federal programs for the year ended June 30, 2004.

#### Internal Control over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In a separate letter to the School District's management dated January 25, 2005, we reported other matters involving the internal control over federal compliance.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 25, 2005

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education - Grants to States – CFDA # 84.027 Twenty-First Century Community Learning Centers – CFDA #84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004  
(Continued)

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

**FINDING NUMBER 2004-001**

**Material Weakness – Lack of Service Organization Auditing Procedures**

The School District had delegated employees' dental and prescription drug claims processing, which was a significant accounting function, to a third-party administrator. The School District had not established procedures to determine whether these service organizations had sufficient controls in place and operating effectively to reduce the risk that dental and prescription drug claims had been completely and accurately processed in accordance with the dental insurance and prescription drug contracts.

We recommend the School District implement procedures to assure the completeness and accuracy (including eligibility and allowability) of dental and prescription drug claims processed by its third-party administrators. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the Schools District with an appropriate level of assurance that dental and prescription drug claims transactions are being processed in conformance with the contracts.

We recommend the School District require a Type Two SAS No. 70 report in its contracts with third-party administrators. The School District should review the SAS No. 70 reports timely. The reports should follow American Institute of Certified Public Accountants standards and be performed by a firms registered and considered in good standing with the Accountancy Board of the respective states in which the firms are located. If a third-party administrator refuses to furnish the School District with a Type Two SAS No. 70 report, we recommend the School District contract with a third-party administrator that will provide such a report.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

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**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**

**APRIL 12, 2005**