

Norman
Jones
Enlow
& Co.

Certified Public Accountants
& Management Consultants

WARREN LOCAL SCHOOL DISTRICT
ANNUAL REPORT
June 30, 1999

**WARREN LOCAL SCHOOL DISTRICT
ANNUAL REPORT
June 30, 1999**

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
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WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>Title/Name</u>	<u>Term of Office</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Board of Education:</u>				
<u>President</u>				
Dave Barrett	1/1/96-12/31/99	(A)	\$20,000	1/1/99-1/1/00
<u>Vice President</u>				
Robert Crum	1/1/98-12/31/01	(A)	\$20,000	1/1/99-1/1/00
<u>Members</u>				
Allan Mallahan	1/1/96-12/31/99	(A)	\$20,000	1/1/99-1/1/00
Dorothy Anderson	1/1/98-12/31/01	(A)	\$20,000	1/1/99-1/1/00
Willie Holbert	1/1/98-12/31/01	(A)	\$20,000	1/1/99-1/1/00

Statutory Legal Counsel

Michael G. Spahr, Prosecuting Attorney
205 Putnam Street
Marietta, Ohio 43750

Official Address

Warren Local School District
Route #1
Vincent, Ohio 45784

(A) Nationwide Mutual Insurance Company

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999

<u>Name/Title</u>	<u>Contract Period</u>	<u>Surety</u>	<u>Amount</u>	<u>Period</u>
<u>Treasurer</u> Doran Hammett	1/1/99-12/31/02	(A)	\$20,000	1/1/99-1/1/00
<u>Superintendent</u> Robert Gruesser	8/1/98-7/31/02	(B)	\$20,000	1/1/99-1/1/00

(A) The Ohio Casualty Insurance Company

(B) Nationwide Mutual Insurance Company

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund Type:

- General Fund

Special Revenue Fund Types:

- Martha Holden Jennings Fund
- Athletic and Music Fund
- Public School Support Fund
- District Managed Activities Funds
- Conflict Management Fund
- Disadvantaged Pupil Program Fund
- Professional Development Fund
- Education Management Information System Fund
- Disadvantaged Pupil Impact Aid Fund
- Eisenhower Math and Science Fund
- Special Education Grants to States (IDEA Part B)
- Grants to Local Educational Agencies (Title I of ESEA)
- School Age Child Care Fund
- Career Development Fund
- Drug Free Schools Fund

Debt Service Fund Type:

- Bond Retirement Fund

Capital Project Fund Types:

- Permanent Improvement Fund
- School Net Fund

Expendable Trust Fund Type:

- Special Trust Fund

PROPRIETARY FUND TYPES:

Enterprise Fund Types:

- Food Services Fund
- Uniform School Supplies Fund

Internal Service Fund Types:

- Self-Insurance Fund

AGENCY FUND TYPE:

- Student Managed Activities Fund



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OFFICE OF THE AUDITOR

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Board of Education
Warren Local School District
Vincent, Ohio

We have reviewed the Independent Auditor's Report of the Warren Local School District, Washington County, prepared by Norman, Jones, Enlow & Co., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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


JIM PETRO
Auditor of State

May 17, 2000

Norman
Jones
Enlow
& Co.

Certified Public Accountants
& Management Consultants

INDEPENDENT AUDITORS' REPORT

Board of Education
Warren Local School District
Vincent, Ohio

We have audited the accompanying general purpose financial statements of the Warren Local School District as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Warren Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Warren Local School District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 1999, on our consideration of Warren Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Norman Jones Enlow & Co.
Zanesville, Ohio
December 14, 1999

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Warren Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,691,587	\$192,803	\$409	\$292,961
Cash and Cash Equivalents in Segregated Accounts	0	475	0	0
Cash with Fiscal and Escrow Agents	0	0	656	0
Receivables:				
Taxes	7,796,191	0	0	0
Accounts	21,201	593	0	32,249
Intergovernmental	1,858	1,125	0	0
Interfund	5,000	0	0	0
Prepaid Items	13,872	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	63,022	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	266,936	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount to be Provided from General Government Resources	0	0	0	0
 Total Assets and Other Debits	 \$9,859,667	 \$194,996	 \$1,065	 \$325,210

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$6,300	\$69,660	\$15,840	\$0	\$0	\$2,269,560
0		0	0	0	475
0	0	0	0	0	656
0	0	0	0	0	7,796,191
0	0	0	0	0	54,043
24,086	0	0	0	0	27,069
0	0	0	0	0	5,000
0	0	0	0	0	13,872
14,882	0	0	0	0	14,882
8,916	0	0	0	0	71,938
0	0	0	0	0	266,936
55,968	0	0	13,706,369	0	13,762,337
0	0	0	0	781,896	781,896
<u>\$110,152</u>	<u>\$69,660</u>	<u>\$15,840</u>	<u>\$13,706,369</u>	<u>\$781,896</u>	<u>\$25,064,855</u>

(continued)

Warren Local School District, Ohio
 Combined Balance Sheet
 All Fund Types and Account Groups (Continued)
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits:				
<u>Liabilities:</u>				
Accounts Payable	\$59,447	\$4,396	\$0	\$0
Contracts Payable	125,440	0	0	68,391
Accrued Wages and Benefits Payable	1,104,118	50,627	0	0
Compensated Absences Payable	86,027	0	0	0
Retainage Payable	10,024	0	0	3,495
Interfund Payable	0	5,000	0	0
Intergovernmental Payable	304,761	13,474	0	0
Deferred Revenue	7,731,938	0	0	0
Due to Students	0	0	0	0
Claims Payable	0	0	0	0
Matured Interest Payable	0	0	656	0
Accrued Interest Payable	1,042	0	0	0
Energy Conservation Notes Payable	265,000	0	0	0
Tax Refund Payable	0	0	0	0
Total Liabilities	9,687,797	73,497	656	71,886
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	618,896	39,950	0	36,460
Reserved for Inventory	63,022	0	0	0
Reserved for School Bus Purchases	90,355	0	0	0
Reserved for Property Taxes	64,253	0	0	0
Reserved for Budget Stabilization	176,581	0	0	0
Unreserved:				
Undesignated (Deficit)	(841,237)	81,549	409	216,864
Total Fund Equity and Other Credits	171,870	121,499	409	253,324
Total Liabilities, Fund Equity and Other Credits	\$9,859,667	\$194,996	\$1,065	\$325,210

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$784	\$0	\$0	\$0	\$0	\$64,627
0	0	0	0	0	193,831
45,468	0	0	0	0	1,200,213
5,384	0	0	0	577,785	669,196
0	0	0	0	0	13,519
0	0	0	0	0	5,000
26,025	0	0	0	126,784	471,044
6,720	0	0	0	0	7,738,658
0	0	15,648	0	0	15,648
0	25,000	0	0	0	25,000
0	0	0	0	0	656
0	0	0	0	0	1,042
0	0	0	0	0	265,000
0	0	0	0	77,327	77,327
<u>84,381</u>	<u>25,000</u>	<u>15,648</u>	<u>0</u>	<u>781,896</u>	<u>10,740,761</u>
0	0	0	13,706,369	0	13,706,369
296,305	0	0	0	0	296,305
(270,534)	44,660	0	0	0	(225,874)
0	0	0	0	0	695,306
0	0	0	0	0	63,022
0	0	0	0	0	90,355
0	0	0	0	0	64,253
0	0	0	0	0	176,581
0	0	192	0	0	(542,223)
<u>25,771</u>	<u>44,660</u>	<u>192</u>	<u>13,706,369</u>	<u>0</u>	<u>14,324,094</u>
<u>\$110,152</u>	<u>\$69,660</u>	<u>\$15,840</u>	<u>\$13,706,369</u>	<u>\$781,896</u>	<u>\$25,064,855</u>

Warren Local School District, Ohio
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	Governmental	
	General	Special Revenue
Revenues:		
Taxes	\$ 7,193,223	\$ 0
Intergovernmental	6,815,964	600,995
Interest	15,136	1,594
Tuition and Fees	23,366	0
Extracurricular Activities	0	151,271
Gifts and Donations	0	0
Miscellaneous	50,937	36,110
Total Revenues	<u>14,098,626</u>	<u>789,970</u>
Expenditures:		
Instruction:		
Regular	6,316,047	193,507
Special	1,224,191	360,786
Vocational	428,026	720
Adult/Continuing	0	10,771
Other	138,998	0
Support Services:		
Pupils	378,479	13,301
Instructional Staff	455,467	40,222
Board of Education	55,591	0
Administration	1,057,516	92,117
Fiscal	479,490	228
Operation and Maintenance of Plant	1,808,876	0
Pupil Transportation	1,026,732	0
Operation of Non-Instructional Services	2,578	0
Extracurricular Activities	221,645	144,681
Refund of Property Taxes	22,283	0
Capital Outlay	0	0
Debt Service:		
Principal payments	0	0
Interest and Fiscal Charges	15,852	0
Total Expenditures	<u>13,631,771</u>	<u>856,333</u>
Excess of Revenues Over (Under) Expenditures	<u>466,855</u>	<u>(66,363)</u>
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	9,045	0
Operating Transfers In	0	8,671
Operating Transfers Out	(44,671)	0
Total Other Financing Sources (Uses)	<u>(35,626)</u>	<u>8,671</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	431,229	(57,692)
Fund Balances (Deficit) at Beginning of Year	(251,734)	179,191
Decrease in Reserve for Inventory	(7,625)	0
Fund Balances at End of Year	<u>\$ 171,870</u>	<u>\$ 121,499</u>

See accompanying notes to the general purpose financial statements.

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 76,088	\$ 0	\$ 0	\$ 7,269,311
0	320,600	0	7,737,559
0	134,740	0	151,470
0	0	0	23,366
0	0	0	151,271
0	0	1,500	1,500
0	42,914	0	129,961
<u>76,088</u>	<u>498,254</u>	<u>1,500</u>	<u>15,464,438</u>
0	0	0	6,509,554
0	0	0	1,584,977
0	0	0	428,746
0	0	0	10,771
0	0	0	138,998
0	0	1,500	393,280
0	146,387	0	642,076
0	0	0	55,591
0	0	0	1,149,633
0	0	0	479,718
0	0	0	1,808,876
0	0	0	1,026,732
0	0	0	2,578
0	0	0	366,326
0	0	0	22,283
0	351,257	0	351,257
60,000	0	0	60,000
16,088	0	0	31,940
<u>76,088</u>	<u>497,644</u>	<u>1,500</u>	<u>15,063,336</u>
<u>0</u>	<u>610</u>	<u>0</u>	<u>401,102</u>
0	0	0	9,045
0	0	0	8,671
0	0	0	(44,671)
0	0	0	(26,955)
0	610	0	374,147
409	252,714	192	180,772
0	0	0	(7,625)
<u>\$ 409</u>	<u>\$ 253,324</u>	<u>\$ 192</u>	<u>\$ 547,294</u>

Warren Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Funds
 For the Fiscal Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$7,371,994	\$7,163,126	(\$208,868)
Intergovernmental	6,543,254	6,822,017	278,763
Interest	17,652	15,136	(2,516)
Tuition and Fees	23,463	23,642	179
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	28,895	30,503	1,608
Total Revenues	13,985,258	14,054,424	69,166
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,896,954	6,382,559	514,395
Special	1,145,581	1,126,252	19,329
Vocational	427,612	427,776	(164)
Adult/Continuing	0	0	0
Other	150,000	140,816	9,184
Support Services:			
Pupils	404,893	380,123	24,770
Instructional Staff	437,148	455,432	(18,284)
Board of Education	102,530	91,586	10,944
Administration	1,012,996	1,041,539	(28,543)
Fiscal	466,718	480,882	(14,164)
Operation and Maintenance of Plant	1,967,576	2,104,567	(136,991)
Pupil Transportation	1,307,959	1,236,703	71,256
Operation of Non-Instructional Services	3,184	2,578	606
Extracurricular Activities	189,402	221,057	(31,655)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	14,512,553	14,091,870	420,683
Excess of Revenues Over (Under) Expenditures	(527,295)	(37,446)	489,849
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	(25,000)	(23,283)	1,717
Refund of Prior Year Expenditures	532	874	342
Proceeds from Sale of Fixed Assets	4,330	9,045	4,715
Advances In	0	0	0
Advances Out	(5,000)	(5,000)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(45,000)	(44,671)	329
Total Other Financing Sources (Uses)	(70,138)	(63,035)	7,103
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(597,433)	(100,481)	496,952
Fund Balances at Beginning of Year	915,364	915,364	0
Prior Year Encumbrances Appropriated	360,344	360,344	0
Fund Balances at End of Year	\$678,275	\$1,175,227	\$496,952

See accompanying notes to the general purpose financial statements

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$75,679	\$76,088	\$409
639,077	600,995	(38,082)	0	0	0
905	1,594	689	0	0	0
0	0	0	0	0	0
160,580	151,467	(9,113)	0	0	0
0	0	0	0	0	0
33,295	34,392	1,097	0	0	0
<u>833,857</u>	<u>788,448</u>	<u>(45,409)</u>	<u>75,679</u>	<u>76,088</u>	<u>409</u>
212,529	192,773	19,756	0	0	0
390,920	331,134	59,786	0	0	0
720	720	0	0	0	0
11,326	6,883	4,443	0	0	0
0	0	0	0	0	0
24,679	20,870	3,809	0	0	0
52,542	40,202	12,340	0	0	0
0	0	0	0	0	0
97,868	93,694	4,174	0	0	0
248	228	20	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
152,658	183,580	(30,922)	0	0	0
0	0	0	0	0	0
0	0	0	60,000	60,000	0
0	0	0	16,088	16,088	0
<u>943,490</u>	<u>870,084</u>	<u>73,406</u>	<u>76,088</u>	<u>76,088</u>	<u>0</u>
<u>(109,633)</u>	<u>(81,636)</u>	<u>27,997</u>	<u>(409)</u>	<u>0</u>	<u>409</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
5,000	5,000	0	0	0	0
0	0	0	0	0	0
8,654	8,671	17	0	0	0
0	0	0	0	0	0
<u>13,654</u>	<u>13,671</u>	<u>17</u>	<u>0</u>	<u>0</u>	<u>0</u>
(95,979)	(67,965)	28,014	(409)	0	409
196,927	196,927	0	409	409	0
19,541	19,541	0	0	0	0
<u>\$120,489</u>	<u>\$148,503</u>	<u>\$28,014</u>	<u>\$0</u>	<u>\$409</u>	<u>\$409</u>

(continued)

Warren Local School District, Ohio
 Combined Statement of Revenues, Expenditures and Changes
 In Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Similar Trust Funds (Continued)
 For the Fiscal Year Ended June 30, 1999

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Taxes	\$0	\$0	\$0
Intergovernmental	243,215	320,600	77,385
Interest	125,000	137,418	12,418
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Miscellaneous	10,665	10,665	0
Total Revenues	378,880	468,683	89,803
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Adult/Continuing	0	0	0
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	246,465	147,041	99,424
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	330,414	387,063	(56,649)
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	576,879	534,104	42,775
Excess of Revenues Over (Under) Expenditures	(197,999)	(65,421)	132,578
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Receipts	0	0	0
Refund of Prior Year Expenditures	0	0	0
Proceeds from Sale of Fixed Assets	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(197,999)	(65,421)	132,578
Fund Balances at Beginning of Year	229,622	229,622	0
Prior Year Encumbrances Appropriated	20,414	20,414	0
Fund Balances at End of Year	\$52,037	\$184,615	\$132,578

See accompanying notes to the general purpose financial statements

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$7,447,673	\$7,239,214	(\$208,459)
0	0	0	7,425,546	7,743,612	318,066
0	0	0	143,557	154,148	10,591
0	0	0	23,463	23,642	179
0	0	0	160,580	151,467	(9,113)
4,500	1,500	(3,000)	4,500	1,500	(3,000)
0	0	0	72,855	75,560	2,705
<u>4,500</u>	<u>1,500</u>	<u>(3,000)</u>	<u>15,278,174</u>	<u>15,389,143</u>	<u>110,969</u>
0	0	0	7,109,483	6,575,332	534,151
0	0	0	1,536,501	1,457,386	79,115
0	0	0	428,332	428,496	(164)
0	0	0	11,326	6,883	4,443
0	0	0	150,000	140,816	9,184
3,000	1,500	1,500	432,572	402,493	30,079
0	0	0	736,155	642,675	93,480
0	0	0	102,530	91,586	10,944
0	0	0	1,110,864	1,135,233	(24,369)
0	0	0	466,966	481,110	(14,144)
0	0	0	1,967,576	2,104,567	(136,991)
0	0	0	1,307,959	1,236,703	71,256
0	0	0	3,184	2,578	606
0	0	0	342,060	404,637	(62,577)
0	0	0	330,414	387,063	(56,649)
0	0	0	60,000	60,000	0
0	0	0	16,088	16,088	0
<u>3,000</u>	<u>1,500</u>	<u>1,500</u>	<u>16,112,010</u>	<u>15,573,646</u>	<u>538,364</u>
<u>1,500</u>	<u>0</u>	<u>(1,500)</u>	<u>(833,836)</u>	<u>(184,503)</u>	<u>649,333</u>
0	0	0	(25,000)	(23,283)	1,717
0	0	0	532	874	342
0	0	0	4,330	9,045	4,715
0	0	0	5,000	5,000	0
0	0	0	(5,000)	(5,000)	0
0	0	0	8,654	8,671	17
0	0	0	(45,000)	(44,671)	329
<u>0</u>	<u>0</u>	<u>0</u>	<u>(56,484)</u>	<u>(49,364)</u>	<u>7,120</u>
1,500	0	(1,500)	(890,320)	(233,867)	656,453
192	192	0	1,342,514	1,342,514	0
0	0	0	400,299	400,299	0
<u>\$1,692</u>	<u>\$192</u>	<u>(\$1,500)</u>	<u>\$852,493</u>	<u>\$1,508,946</u>	<u>\$656,453</u>

Warren Local School District, Ohio
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Operating Revenues:</u>			
Sales	\$517,781	\$0	\$517,781
Charges for Services	0	403,675	403,675
Total Operating Revenues	517,781	403,675	921,456
<u>Operating Expenses:</u>			
Salaries	246,082	0	246,082
Fringe Benefits	102,962	0	102,962
Purchased Services	8,773	7,457	16,230
Materials and Supplies	149,983	0	149,983
Cost of Sales	288,859	0	288,859
Depreciation	9,312	0	9,312
Claims	0	383,054	383,054
Total Operating Expenses	805,971	390,511	1,196,482
Operating Income (Loss)	(288,190)	13,164	(275,026)
<u>Non-Operating Revenues:</u>			
Federal Donated Commodities	39,758	0	39,758
Operating Grants	177,814	0	177,814
Total Non-Operating Revenues	217,572	0	217,572
Income (Loss) before Operating Transfers	(70,618)	13,164	(57,454)
Operating Transfers In	36,000	0	36,000
Net Income (Loss)	(34,618)	13,164	(21,454)
Retained Earnings (Deficit) at Beginning of Year	(235,916)	31,496	(204,420)
Retained Earnings (Deficit) at End of Year	(\$270,534)	\$44,660	(\$225,874)

See accompanying notes to the general purpose financial statements

Warren Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$552,900	\$518,029	(\$34,871)
Charges for Services	0	0	0
Operating Grants	180,600	176,681	(3,919)
Total Revenues	733,500	694,710	(38,790)
<u>Expenses:</u>			
Salaries	243,000	240,849	2,151
Fringe Benefits	100,500	100,273	227
Purchased Services	14,201	8,594	5,607
Materials and Supplies	415,029	400,041	14,988
Capital Outlay	14,942	14,638	304
Total Expenses	787,672	764,395	23,277
Excess of Revenues Over (Under) Expenses before Operating Transfers	(54,172)	(69,685)	(15,513)
Operating Transfers In	36,000	36,000	0
Excess of Revenues Over (Under) Expenses and Operating Transfers In	(18,172)	(33,685)	(15,513)
Fund Equity at Beginning of Year	37,234	37,234	0
Prior Year Encumbrances Appropriated	1,972	1,972	0
Fund Equity at End of Year	\$21,034	\$5,521	(\$15,513)

See accompanying notes to the general purpose financial statements

(continued)

Warren Local School District, Ohio
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 All Proprietary Fund Types (Continued)
 For the Fiscal Year Ended June 30, 1999

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Sales	\$0	\$0	\$0
Charges for Services	405,000	403,675	(1,325)
Operating Grants	0	0	0
Total Revenues	405,000	403,675	(1,325)
<u>Expenses:</u>			
Salaries	0	0	0
Fringe Benefits	0	0	0
Purchased Services	363,650	390,911	(27,261)
Materials and Supplies	0	0	0
Capital Outlay	0	0	0
Total Expenses	363,650	390,911	(27,261)
Excess of Revenues Over (Under) Expenses before Operating Transfers	41,350	12,764	(28,586)
Operating Transfers In	0	0	0
Excess of Revenues Over (Under) Expenses and Operating Transfers In	41,350	12,764	(28,586)
Fund Equity at Beginning of Year	56,896	56,896	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Equity at End of Year	\$98,246	\$69,660	(\$28,586)

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$552,900	\$518,029	(\$34,871)
405,000	403,675	(1,325)
180,600	176,681	(3,919)
<u>1,138,500</u>	<u>1,098,385</u>	<u>(40,115)</u>
243,000	240,849	2,151
100,500	100,273	227
377,851	399,505	(21,654)
415,029	400,041	14,988
14,942	14,638	304
<u>1,151,322</u>	<u>1,155,306</u>	<u>(3,984)</u>
(12,822)	(56,921)	(44,099)
<u>36,000</u>	<u>36,000</u>	<u>0</u>
23,178	(20,921)	(44,099)
94,130	94,130	0
1,972	1,972	0
<u>\$119,280</u>	<u>\$75,181</u>	<u>(\$44,099)</u>

Warren Local School District, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 1999

	Enterprise	Internal Service	Totals (Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$518,029	\$0	\$518,029
Cash Received from Quasi-External Transactions with Other Funds	0	403,675	403,675
Cash Payments to Suppliers for Goods and Services	(407,956)	(7,457)	(415,413)
Cash Payments for Employee Services	(240,849)	0	(240,849)
Cash Payments for Employee Benefits	(100,173)	0	(100,173)
Cash Payments for Claims	0	(383,454)	(383,454)
Net Cash Provided by (Used for) Operating Activities	<u>(230,949)</u>	<u>12,764</u>	<u>(218,185)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Transfers In	36,000	0	36,000
Operating Grants Received	176,681	0	176,681
Net Cash Provided by Noncapital Financing Activities	<u>212,681</u>	<u>0</u>	<u>212,681</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Payments for Capital Acquisitions	(14,638)	0	(14,638)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(32,906)</u>	<u>12,764</u>	<u>(20,142)</u>
Cash and Cash Equivalents at Beginning of Year	<u>39,206</u>	<u>56,896</u>	<u>96,102</u>
Cash and Cash Equivalents at End of Year	<u>\$6,300</u>	<u>\$69,660</u>	<u>\$75,960</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	(\$288,190)	\$13,164	(\$275,026)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Depreciation	9,312	0	9,312
Donated Commodities Used During Year	39,758	0	39,758
<u>Changes in Assets and Liabilities:</u>			
Decrease in Accounts Receivable	248	0	248
Increase in Inventory Held for Resale	(531)	0	(531)
Increase in Materials and Supplies Inventory	(744)	0	(744)
Increase in Accounts Payable	44	0	44
Increase in Accrued Wages and Benefits Payable	3,384	0	3,384
Increase in Compensated Absences Payable	3,760	0	3,760
Decrease in Due to Other Funds	(100)	0	(100)
Increase in Intergovernmental Payable	2,110	0	2,110
Decrease in Claims Payable	0	(400)	(400)
Total Adjustments	<u>57,241</u>	<u>(400)</u>	<u>56,841</u>
Net Cash Provided by (Used for) Operating Activities	<u>(\$230,949)</u>	<u>\$12,764</u>	<u>(\$218,185)</u>

See accompanying notes to the general purpose financial statements

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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/or federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 97 classified employees, 164 certified teaching personnel, and 10 administrators, who provide services to 2,735 students and other community members.

The reporting entity is comprised 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 for the organization. The School District has no component units.

The School District is associated with the Southeast Ohio Voluntary Educational Consortium, the Washington County Joint Vocational School, and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool. These organizations are presented in Notes 17 and 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Warren Local 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and 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.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are classified as expendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Washington County Budget Commission for rate determination.

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The Board has delegated to the Treasurer the authority to allocate appropriations to the function and object levels. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAR Ohio.

State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 General Fund during fiscal year 1999 amounted to \$15,136, which includes \$4,655 assigned from other School District funds.

The School District has a segregated bank account for monies held separate from the School District's central bank account. This non-interest bearing depository account is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the School District treasury.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

The School District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balances in these accounts are presented on the combined balance sheet as "cash with fiscal and escrow agents" and represent deposits.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year, the School District had no investments that met these criteria.

E. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year end restricted asset balance and the corresponding fund balance reserves.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, 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 is reported in the year in which services are consumed.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two hundred and fifty dollars. The School District does not have 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 general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase

Special Revenue Funds

- Disadvantaged Pupil Impact Aid
- Accessing Education Grant
- Conflict Management Grant
- Instructional Materials Subsidy

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Eisenhower Math and Science Grant
Martha Holden Jennings Grant
Title I
Title VI
Title VI-B
Drug Free Schools
Professional Development Block Grant
School Age Child Care Grant
Career Development Grant

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 50 percent of governmental fund revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

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 School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 all employees after twenty-five years of current service with the School District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, payments made more than sixty days after year end are considered not to have been paid using current available financial resources. The tax refund payable is reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All interfund transfers are reported as operating transfers.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

N. Fund Balance Reserves

The School District reserves those portions of fund equity 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, inventories of materials and supplies, property taxes, school bus purchases, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Contributed Capital

Contributed capital represents resources from other funds provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1994, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings. There was no change in contributed capital during fiscal year 1999.

P. 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.

Q. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

At June 30, 1999, the Title I and Career Development Special Revenue Funds had deficit fund balances of \$13,902 and \$3,003, respectively. The deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances in the special revenue funds; however, this is done when cash is needed rather than when accruals occur.

The Lunchroom Enterprise Fund had deficit retained earnings of \$273,032 at June 30, 1999. The deficit is the result of accumulated losses. The School District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

B. Legal Compliance

The following funds had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 1999:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Textbook Subsidy	\$77,526	\$77,820	\$294
Continuous Improvement Development	0	1,000	1,000
Lunchroom Enterprise Fund	685,098	697,972	12,874

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - All Proprietary Fund Types are 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 basis are:

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$431,229	(\$57,692)	\$0	\$610
Net Adjustment for Revenue Accruals	32,760	(1,522)	0	(29,571)
Advances In	0	5,000	0	0
Net Adjustment for Expenditure Accruals	300,150	30,549	0	71,886
Debt Service:				
Principal	0	0	(60,000)	0
Interest	(236)	0	(16,088)	0
Advances Out	(5,000)	0	0	0
Revenue Allocation from Debt Service to General Fund	(76,088)	0	76,088	0
Encumbrances	<u>(783,296)</u>	<u>(44,300)</u>	<u>0</u>	<u>(108,346)</u>
Budget Basis	<u>(\$100,481)</u>	<u>(\$67,965)</u>	<u>\$0</u>	<u>(\$65,421)</u>

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Net Income (Loss)/Excess of Revenues
Over (Under) Expenses
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$34,618)	\$13,164
Net Adjustment for Revenue Accruals	(885)	0
Net Adjustment for Expense Accruals	7,923	(400)
Depreciation Expense	9,312	0
Capital Outlay	(14,638)	0
Encumbrances	(779)	0
Budget Basis	(\$33,685)	\$12,764

NOTE 5 - 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 the Board of Education has identified as not required for use within the current two 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 accounts, including passbook accounts.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Protection of the 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances 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 moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the School District had \$1,795 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 \$37,989 and the bank balance was \$308,413. Of the bank balance, \$188,495 was covered by federal depository insurance and \$119,918 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the FDIC.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at 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 for which the securities 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. STAR Ohio is not classified since it is not evidenced by securities that exist in physical or book entry form. The fair value of the investment in STAR Ohio at June 30, 1999, was \$2,497,843.

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$2,537,627	\$0
Cash on Hand	(1,795)	0
Investment: STAR Ohio	<u>(2,497,843)</u>	<u>2,497,843</u>
GASB Statement 3	<u>\$37,989</u>	<u>\$2,497,843</u>

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. The assessed values upon which fiscal year 1999 taxes were collected in Washington County are:

	<u>1998 Second- Half Collections</u>		<u>1999 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$110,146,810	52%	\$132,841,350	55%
Public Utility	36,640,340	17%	36,944,810	15%
Tangible Personal Property	<u>64,289,280</u>	<u>31%</u>	<u>70,977,220</u>	<u>30%</u>
Total Assessed Value	<u>\$211,076,430</u>	<u>100%</u>	<u>\$240,763,380</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$37.80		\$36.10	

The School District receives property taxes from Washington and Athens counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$64,253 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 1998, was \$110,245 in the General Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, tuition, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	<u>Amounts</u>
General Fund:	
Basic State Aid Adjustment	\$103
Transportation Reimbursements	1,068
Other Reimbursements	105
Substitute Reimbursements	582
 Total General Fund	 1,858
Special Revenue Fund:	
Equity Grant	1,125
Enterprise Fund:	
National School Lunch Reimbursement	24,086
 Total	 \$27,069

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$346,282
Less: Accumulated depreciation	(290,314)
Net Fixed Assets	\$55,968

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance at 06/30/98	Additions	Reductions	Balance at 06/30/99
Land	\$986,661	\$446,045	\$0	\$1,432,706
Buildings	7,091,726	105,852	0	7,197,578
Furniture, Fixtures and Equipment	3,108,976	484,205	0	3,593,181
Vehicles	1,640,761	56,207	214,064	1,482,904
 Total	 \$12,828,124	\$1,092,309	\$214,064	\$13,706,369

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 9 - 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 1999, the School District contracted with WAUSAU Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Property damage is on a replacement cost basis for a blanket amount of \$34,114,000 on buildings and contents. Vehicles are covered by Nationwide Insurance Company at original cost of \$2,087,640 and has a \$100 deductible for comprehensive and a \$500 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 years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). 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.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

C. Employee Benefits

Prescription drug insurance and dental insurance is offered to employees through a self-insurance internal service fund through American Benefits, Inc. A 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 \$25,000 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 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
1998	\$25,400	\$336,067	\$336,067	\$25,400
1999	25,400	383,054	383,454	25,000

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$344,749, \$650,430 and \$692,004, respectively; 79.03 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$72,280 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was 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, 1999, 1998, and 1997 were \$139,601, \$163,792 and \$167,059, respectively; 37.66 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$87,028 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 11 - POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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 benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$459,665 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$150,264.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components 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. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. 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 Benefits

The School District provides health and major medical insurance through Anthem Blue Cross/Blue Shield for all eligible employees. The School District pays monthly premiums of up to \$334.75 for family coverage and up to \$125.07 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 Community National Assurance Company in the amount of \$30,000 for classified employees and \$25,000 for certified employees.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Outstanding 06/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/99</u>
General Long-Term Obligations:				
Compensated Absences	\$545,546	\$104,337	\$72,098	\$577,785
Tax Refund	99,610	0	22,283	77,327
Long-Term Pension Liability	<u>121,335</u>	<u>126,784</u>	<u>121,335</u>	<u>126,784</u>
Total Long-Term Obligations	<u>\$766,491</u>	<u>\$231,121</u>	<u>\$215,716</u>	<u>\$781,896</u>

Compensated absences and long-term pension obligations will be paid from the fund which the employee's salaries are paid. The fund balance in the Debt Service Fund is not available for the retirement of long-term obligations. During fiscal year 2000, the School District will pass the necessary legislation to return this amount to the General Fund.

Based on the March 26, 1997 decision by the Ohio State Supreme Court, the School District is required to refund to Texas Eastern Transmission Corporation public utility property taxes collected for the 1991 through 1996 tax years. The liability will be paid from the General Fund through reductions in tax settlements. No interest will be charged on the liability for the 1992 through 1996 tax years.

The School District's overall legal debt margin was \$21,668,704, with an unvoted debt margin of \$240,763 at June 30, 1999.

Requirements to retire the Tax Refund obligation at June 30, 1999, are as follows:

<u>Fiscal Year Ending June 30,</u>	
2000	\$22,284
2001	22,283
2002	22,285
2003	<u>10,475</u>
Total	<u>\$77,327</u>

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 14 - FUND OBLIGATION

The changes in the School District's short-term obligations during fiscal year 1999 were as follows:

	Outstanding 06/30/98	Additions	Reductions	Outstanding 06/30/99
Energy Conservation Notes - 4.95%	\$325,000	\$0	\$60,000	\$265,000

The Energy Conservation Notes will be paid from tax revenues in the General Fund. Principal and interest requirements to retire the Energy Conservation Notes outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$60,000	\$13,118	\$73,118
2001	65,000	10,148	75,148
2002	70,000	6,930	76,930
2003	70,000	3,465	73,465
Total	\$265,000	\$33,661	\$298,661

NOTE 15 - CONTRACTUAL COMMITMENT

As of June 30, 1999, the School District had a contractual commitment for science lab renovations. The amount of the purchase commitment was \$460,997; with \$135,180 paid as of June 30, 1999; and \$325,817 remaining on the contract at year end.

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of the lunchroom and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Warren Local School District as of and for the fiscal year ended June 30, 1999.

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$468,883	\$48,898	\$517,781
Depreciation Expense	9,312	0	9,312
Operating Loss	(250,610)	(37,580)	(288,190)
Federal Donated Commodities	39,758	0	39,758
Operating Grants	177,814	0	177,814
Operating Transfers In	0	36,000	36,000
Net Loss	(33,038)	(1,580)	(34,618)
Fixed Asset Additions	14,638	0	14,638
Net Working Capital	(27,310)	2,497	(24,813)
Total Assets	107,655	2,497	110,152
Long-Term Compensated Absences Payable	5,384	0	5,384
Total Equity	23,274	2,497	25,771
Encumbrances at June 30, 1999	779	0	779

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Southeast Ohio Voluntary Educational Consortium (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. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

Washington County Joint Vocational School – The Washington County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the six participating school district's 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 Joint Vocational School, Mary Bee, Treasurer, at Route 2, Marietta, Ohio 45750.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers 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 Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition.

NOTE 18 – 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 Program (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 General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

NOTE 19 - INTERFUND TRANSACTIONS

As of June 30, 1999, the Career Development Special Revenue Fund owed the General Fund \$5,000 as an interfund payable.

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The School District also receives resources from the State of Ohio which are restricted by State law for the purchase of school buses. The balance of this allocation is also reflected as a reservation of fund balance in the General Fund at fiscal year end.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Budget Stabilization Reserve</u>	<u>Capital Improvements Reserve</u>	<u>Textbooks/ Instructional Materials Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 1998	\$70,601	\$0	\$0	70,601
Current Year Set-Aside Requirement	105,980	211,959	211,959	529,898
Current Year Offsets	0	0	(38,746)	(38,746)
Qualifying Disbursements	<u>0</u>	<u>(216,166)</u>	<u>(302,399)</u>	<u>(518,565)</u>
Total	<u>\$176,581</u>	<u>(\$4,207)</u>	<u>(\$129,186)</u>	<u>(\$43,188)</u>
Cash Balance Carried Forward to Fiscal Year 2000	<u>\$176,581</u>	<u>\$0</u>	<u>\$0</u>	\$176,581
Amount Restricted for Bus Purchases				<u>90,355</u>
Total Restricted Assets				<u>\$266,936</u>

Warren Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Although the School District has offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 21 – STATE SCHOOL FUNDING DECISION / SUBSEQUENT EVENT

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$5,849,258 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision made by the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 22 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 1999.

B. Litigation

The School District is currently party to litigation. The outcome and possible effects on the financial statements cannot be determined at this time.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Warren Local School District
Vincent, Ohio

We have audited the general purpose financial statements of Warren Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated December 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Warren Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 99-1 and 99-2. We also noted a few instances of noncompliance that we have reported to the district's management in a separate letter dated December 14, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 judgement, could adversely affect Warren Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition we noted is described in the accompanying schedule of findings and questioned costs as item 99-3. We also noted a few matters involving internal control over financial reporting that we have reported to the district's management in a separate letter dated December 14, 1999.

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 misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of the District's Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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December 14, 1999

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**Norman
Jones
Enlow
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Certified Public Accountants
& Management Consultants

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

Board of Education
Warren Local School District
Vincent, Ohio

Compliance

We have audited the compliance of Warren Local 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, 1999. Warren Local School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Warren Local School District's management. Our responsibility is to express an opinion on Warren Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren Local 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 Warren Local School District's compliance on those requirements.

In our opinion, Warren Local 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, 1999.

Internal Control Over Compliance

The management of Warren Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of the laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered Warren Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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*.

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-4.

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. Our consideration of the internal control over compliance would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the District's Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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December 14, 1999

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WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
JUNE 30, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: Food Distribution CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000, Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding 99-1

Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated. In order to test the District's compliance with this section, we compared prior year encumbrances and current year appropriations with current year expenditures and encumbrances at the "legal level of budgetary control". The "legal level of budgetary control" is defined in *Government Accounting, Auditing and Financial Reporting* as "the level at which spending in excess of budgeted amounts would be a violation of law". In Ohio, the legal level of control is the level at which the appropriation measure is passed by the legislative authority of a local government.

The District passed their appropriation measure at the fund-function-object level. We noted 59 instances where expenditures exceeded appropriations at this "legal level of control".

We recommend that the treasurer keep a schedule that compares appropriations versus expenditures. This would allow the treasurer to compare these amounts on a constant basis which should cut down on the number of violations.

Finding 99-2

Ohio Revised Code Section 5705.412 requires that, "No School District is supposed to: make any contract, give any order to expend money, adopt any appropriations, or increase salary or wage schedules during any school year without attaching a "412" certificate.

Our testing disclosed that, "412" certificates were not issued during fiscal year 1999 for the temporary and permanent appropriation measure. The new School District treasurer, who began employment after June 30, 1999, is aware of this requirement and has taken steps to ensure future compliance with this section.

Finding 99-3

The Warren Local School District is a member school district of the Southeast Ohio Voluntary Educational Consortium (SEOVEC), 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. We obtained a copy of the SAS-70 report performed on this organization and noted that they did not have a formal disaster recovery plan in place. This could affect the organization's ability to recover data following a disruption in data processing services over an extended time period. We recommend that the district discuss this problem with SEOVEC in order to learn more about the possible problems that the lack of a disaster recovery plan could cause. We also recommend that the district bring this problem to the attention of the governing board in order to try and come up with possible solutions to the problem.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	99-4
CFDA Title and Number	Nutrition Cluster: Food Distribution CFDA #10.550; School Breakfast CFDA #10.553; National School Lunch CFDA #10.555
Federal Award Number / Year	Fiscal year ended June 30, 1999
Federal Agency	Department of Agriculture
Pass-Through Agency	Ohio Department of Education

In order to perform testing over the Nutrition Cluster, we performed tests of the reports filed by the District. One such report tested was the MR-30 Report which is filed on a monthly basis. This report relates to Donated and Purchased Food. It shows the beginning inventory in donated foods for that month, the amount received and used during that month and the ending inventory for that month. It shows the same information for the purchased food.

We noted during testing of these reports that the ending inventory of the donated food on some of the month's reports did not match the beginning inventory on the following month's reports. In some cases, the difference was fairly large but no documentation was provided on what the difference was caused by. Per discussion with the Food Service Coordinator, it appears that all commodities are received at a central location. It is then sent out to the schools on an as needed basis. It appears that proper documentation is not being kept on what is received during a month or on what is used because adjustments were made to reduce inventory from the end of one month to the beginning of the next month.

We recommend that the District keep better documentation over the commodities used and received during the year in order to ensure proper controls and to enable reports to be filed properly. We also recommend that if adjustments need to be made between one month's ending inventory and the following month's beginning inventory that proper documentation be kept on the reasons for the adjustments.

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
June 30, 1999

Federal Grantor/ Pass-Through Agency/ Programs Title	CFDA Number	Receipts
United States Department of Agriculture/ Ohio Department of Education		
Nutrition Cluster:		
Food Distribution	10.550	\$ -
National School Breakfast Program	10.553	7,489
National School Lunch Programs	10.555	159,453
Total United States Department of Agriculture - Nutrition Cluster		166,942
United States Department of Health and Human Services/ Ohio Department of Health and Human Services		
School Age Child Care Grant	93.673	-
United States Department of Education/ Ohio Department of Education		
Title I Grants to Local Educational Agencies (Title I of ESEA)	84.010	284,234
Special Education Grants to States (IDEA Part B)	84.027	120,796
Eisenhower Professional Development State Grants	84.281	12,256
Drug Free Schools Grant	84.186	13,918
1999 Goals 2000	84.276	10,000
Innovative Education Program Strategies	84.298	9,909
Total United States Department of Education		451,113
United States Department of Labor		
Employment Services and Job Training	17.249	-
Total Federal Assistance		\$ 618,055

<u>In-Kind Receipts</u>	<u>Disbursements</u>
\$ 41,337	\$ 39,758
-	7,489
-	159,453
<u>41,337</u>	<u>206,700</u>
-	315
-	258,483
-	115,118
-	16,399
-	12,068
-	7,855
-	12,791
<u>-</u>	<u>422,714</u>
-	1,217
<u>\$ 41,337</u>	<u>\$ 630,946</u>

See notes to Schedule of Federal Awards Expenditures

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

GENERAL COMMENTS

District personnel were cooperative and available for questions during regular work hours.

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

CONCLUSION STATEMENT

The District officials were furnished a draft copy of the audit report, including citations and recommendations. These officials elected to waive a formal post-audit conference.

These officials were informed that they had five working days from the receipt of the draft copy to respond to, or contest, in writing, the report contents. Written responses were not received.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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.

By: *Susan Babbitt*

Date: MAY 25, 2000