



**Auditor of State
Betty Montgomery**

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Warren City School District
Trumbull County
261 Monroe St., NW
Warren, Ohio 44483

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Warren City School District, Trumbull County, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Warren City School District, Trumbull County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2003 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the Government, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information 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.

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

Betty Montgomery
Auditor of State

January 17, 2002

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**Warren City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum) (Only)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 11,878,153	2,711,032	1,496,756	1,377,413	2,216,238	927,783	0	0	\$ 20,607,375
Restricted Cash and Cash Equivalents	328,646	0	0	0	0	0	0	0	328,646
Taxes Receivable	21,617,897	0	0	0	0	0	0	0	21,617,897
Interfund Receivables	109,613	0	0	0	0	0	0	0	109,613
Due from Other Funds	0	0	0	0	0	921,942	0	0	921,942
Intergovernmental Receivables	299,312	343,944	0	222,664	0	0	0	0	865,920
Accounts Receivable	85,046	10,698	0	69,470	1,287,049	1,234	0	0	1,453,497
Supplies Inventory	0	0	0	2,363	0	0	0	0	2,363
Inventory for Resale	0	0	0	85,848	234,186	0	0	0	320,034
Prepaid Expenses	16,597	657	0	198	0	0	0	0	17,452
Property, Plant & Equipment	0	0	0	890,370	14,880	0	37,885,200	0	38,790,450
Accumulated Depreciation, where applicable	0	0	0	(429,124)	(4,869)	0	0	0	(433,993)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	3,724,120	3,724,120
Total Assets and Other Debits	\$ 34,335,264	3,066,331	1,496,756	2,219,202	3,747,484	1,850,959	37,885,200	3,724,120	\$ 88,325,316

(Continued)

**Warren City School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	2002 (Memorandum (Only))
Liabilities:									
Interfund Payables	\$ 0	108,405	0	0	0	1,208	0	0	\$ 109,613
Due to Other Funds	607,494	271,598	0	42,850	0	0	0	0	921,942
Intergovernmental Payable	24,913	7,674	0	93	0	1,723,939	0	477,004	2,233,623
Accounts Payable	475,593	453,278	190,453	24,755	29,014	46,485	0	0	1,219,578
Claims Payable	0	0	0	0	903,000	0	0	0	903,000
Accrued Salaries and Benefits	4,061,769	1,221,805	0	41,992	0	0	0	0	5,325,566
Deferred Revenue	21,161,412	0	0	0	0	0	0	0	21,161,412
Due to Others	0	0	0	0	0	25,741	0	0	25,741
Compensated Absences Payable	414,454	8,380	0	16,649	0	0	0	3,247,116	3,686,599
Early Retirement Incentive	182,500	0	0	0	0	0	0	0	182,500
Total Liabilities	26,928,135	2,071,140	190,453	126,339	932,014	1,797,373	0	3,724,120	35,769,574
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	37,885,200	0	37,885,200
Retained Earnings	0	0	0	2,092,863	2,815,470	25,827	0	0	4,934,160
Fund Balances:									
Reserved for Budget Stabilization	328,646	0	0	0	0	0	0	0	328,646
Reserved for Encumbrances	561,405	130,362	432,764	0	0	7,355	0	0	1,131,886
Reserved for Property Tax	456,485	0	0	0	0	0	0	0	456,485
Unreserved Fund Balance	6,060,593	864,829	873,539	0	0	20,404	0	0	7,819,365
Total Fund Equity	7,407,129	995,191	1,306,303	0	0	27,759	0	0	9,736,382
Total Fund Balances/Retained Earnings and Other Credits	7,407,129	995,191	1,306,303	2,092,863	2,815,470	53,586	37,885,200	0	52,555,742
Total Liabilities, Fund Equity, and Other Credits	\$ 34,335,264	3,066,331	1,496,756	2,219,202	3,747,484	1,850,959	37,885,200	3,724,120	\$ 88,325,316

See Accompanying Notes to the General Purpose Financial Statements

Warren City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Fund Types Expendable Trust	(Memorandum) (Only)
REVENUES:					
Taxes	\$ 18,095,244	841	0	0	\$ 18,096,085
Tuition	857,164	0	0	0	857,164
Transportation Fees	55,910	0	0	0	55,910
Earnings on Investments	569,710	12,903	0	0	582,613
Extracurricular Activities	0	295,177	4,060	0	299,237
Miscellaneous	241,649	380,159	4,115	44,169	670,092
Revenue from Intermediate Sources					
Restricted Grants-in-Aid	0	25,000	0	0	25,000
Revenue from State Sources					
Unrestricted Grants -in-Aid	29,086,901	0	0	0	29,086,901
Restricted Grants-in-Aid	56,164	6,077,769	282,166	0	6,416,099
Revenue from Federal Sources					
Unrestricted Grants-in-Aid	6,908	807,339	0	0	814,247
Restricted Grants-in-Aid	430,166	5,402,070	0	0	5,832,236
Revenue in Lieu of Taxes	34,693	0	0	0	34,693
Total Revenue	49,434,509	13,001,258	290,341	44,169	62,770,277
EXPENDITURES:					
Instruction					
Regular	21,138,619	4,722,687	0	7,520	25,868,826
Special	5,717,342	3,047,354	0	22,104	8,786,800
Vocational	756,219	1,230	0	40	757,489
Adult/Continuing/Other Instruction	154,387	222,790	0	0	377,177
Supporting Services					
Pupils	2,772,851	830,968	0	0	3,603,819
Instructional Staff	2,554,535	1,611,237	115,327	5,815	4,286,914
Board of Education	39,406	0	0	0	39,406
Administration	4,481,847	331,040	0	631	4,813,518
Fiscal Services	827,952	90,369	0	0	918,321
Business	582,832	16,599	0	0	599,431
Operation & Maintenance-Plant	7,081,308	277,236	0	0	7,358,544
Pupil Transportation	2,124,042	33,208	0	92	2,157,342
Central	846,604	5,328	0	4,912	856,844
Operation of Non-Instructional Services					
Food Services Operations	359	983	0	0	1,342
Community Services	0	757,884	0	0	757,884
Other Operational Non-Instructional Services	0	2,569	0	0	2,569
Extracurricular Activities					
Academic & Subject Oriented	220,284	76,123	0	0	296,407
Occupation Oriented Activity	0	2,109	0	0	2,109
Sports Oriented	548,911	278,195	0	0	827,106
Co-Curricular Activities	0	23,602	0	0	23,602
Capital Outlay					
Site Improvements	0	0	391,822	0	391,822
Building Improvements	6,392	828	96,541	0	103,761
Total Expenditures	49,853,890	12,332,339	603,690	41,114	62,831,033
Excess (Deficiency) of Revenues Over (Under) Expenditures	(419,381)	668,919	(313,349)	3,055	(60,756)
Other Financing Sources and Uses:					
Other Financing Sources					
Gain on Sale of Assets	870	0	0	0	870
Transfers-In	0	86,850	0	0	86,850
Refund of Prior Year Expenses	7,514	400	3,396	0	11,310
Other Financing Uses					
Transfer-Out	(80,000)	(474)	0	0	(80,474)
Refund of Prior Year Receipts	0	(57,031)	0	(9,144)	(66,175)
Pass Through Payments	0	(54)	0	0	(54)
Net Other Financing Sources and Uses	(71,616)	29,691	3,396	(9,144)	(47,673)
Excess (Deficiency) of Revenues and Other Sources Over Expenditure and Other Uses	(490,997)	698,610	(309,953)	(6,089)	(108,429)
Beginning Fund Balance	7,898,126	296,581	1,616,256	33,848	9,844,811
Ending Fund Balance	\$ 7,407,129	995,191	1,306,303	27,759	\$ 9,736,382

See Accompanying Notes to the General Purpose Financial Statements

Warren City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 17,702,645	17,702,645	0	841	841	\$ 0
Tuition	199,465	199,465	0	0	0	0
Transportation Fees	58,346	58,346	0	0	0	0
Earnings on Investment	524,153	547,437	23,284	12,623	12,623	0
Extracurricular Activities	0	0	0	293,155	295,177	2,022
Miscellaneous	225,902	225,902	0	283,440	283,440	0
Intermediate Restricted Grants-in-Aid	0	0	0	25,000	25,000	0
State Unrestricted Grants-in-Aid	29,586,957	29,586,957	0	0	0	0
State Restricted Grants-in-Aid	56,164	56,164	0	6,235,190	6,160,309	(74,881)
Federal Unrestricted Grants-in-Aid	5,966	5,966	0	825,483	534,645	(290,838)
Federal Restricted Grants-in -Aid	424,453	424,453	0	5,902,441	5,366,299	(536,142)
Revenue in Lieu of Taxes	34,693	34,693	0	0	0	0
Total Revenue	48,818,744	48,842,028	23,284	13,578,173	12,678,334	(899,839)
Expenditures:						
Regular Instruction	21,287,742	21,287,599	143	5,179,235	4,732,447	446,788
Special Instruction	5,840,461	5,837,871	2,590	4,137,265	3,124,207	1,013,058
Vocational Instruction	762,751	762,713	38	2,675	1,231	1,444
Other/Adult/Continuing Instruction	0	0	0	310,856	238,902	71,954
Other Instruction	160,831	160,831	0	0	0	0
Support Services-Pupils	2,912,470	2,912,396	74	1,240,943	880,125	360,818
Support Services-Instructional Staff	2,607,486	2,607,327	159	2,169,745	1,699,880	469,865
Support Services-Board of Education	43,604	43,573	31	0	0	0
Support Services-Administration	4,502,530	4,489,854	12,676	480,715	371,757	108,958
Fiscal Services	841,037	841,497	(460)	178,818	127,443	51,375
Support Services-Business	620,930	616,523	4,407	28,862	21,099	7,763
Operation & Maintenance-Plant	7,483,429	7,477,634	5,795	297,497	285,173	12,324
Support Services-Transportation	2,365,602	2,364,502	1,100	62,027	39,559	22,468
Support Services-Central	875,765	875,755	10	17,783	8,345	9,438
Food Services	0	0	0	9,278	8,910	368
Community Services	0	0	0	1,068,456	877,973	190,483
Other Operational Non-Instructional Services	0	0	0	4,525	3,055	1,470
Academic & Subject Oriented	220,187	220,187	0	120,557	77,196	43,361
Occupation Oriented Activities	0	0	0	5,137	2,109	3,028
Sports Oriented Activities	546,931	546,931	0	299,828	289,548	10,280
Co-Curricular Activities	0	0	0	32,886	27,843	5,043
Site Improvement	0	0	0	0	0	0
Building Improvement	28,924	28,927	(3)	843	858	(15)
Total Expenditures	51,100,680	51,074,120	26,560	15,647,931	12,817,660	2,830,271
Excess of Revenue Over (Under) Expenditures	(2,281,936)	(2,232,092)	49,844	(2,069,758)	(139,326)	1,930,432
Other Financing Sources (Uses):						
Sale & Loss of Assets	4,395	4,395	0	0	0	0
Transfer-In	0	0	0	86,850	86,850	0
Advances-In	0	33,000	33,000	0	108,405	108,405
Refund of Prior Year Expenditures	9,206	11,019	1,813	705	705	0
Transfer-Out	(83,500)	(80,000)	3,500	(474)	(474)	0
Advances-Out	(304,650)	(109,613)	195,037	0	(28,000)	(28,000)
Refund of Prior Year Receipts	(1,000)	0	1,000	(56,195)	(56,151)	44
Other Miscellaneous Use of Funds	0	0	0	(54)	(54)	0
Total Other Sources (Uses)	(375,549)	(141,199)	234,350	30,832	111,281	80,449
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,657,485)	(2,373,291)	284,194	(2,038,926)	(28,045)	2,010,881
Beginning Fund Balance	12,201,249	12,201,249	0	1,473,614	1,473,614	0
Prior Year Carry Over Encumbrances	1,358,076	1,358,076	0	660,950	660,950	0
Ending Fund Balance	\$ 10,901,840	11,186,034	284,194	95,638	2,106,519	\$ 2,010,881

(Continued)

Warren City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Capital Projects Funds			Expendable Trust Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	0	0	\$ 0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	4,060	4,060	0	0	0	0
Miscellaneous	4,115	4,115	0	48,511	45,622	(2,889)
Intermediate Restricted Grants-in-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	0	0	0
State Restricted Grants-in-Aid	282,166	282,166	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	0	0	0
Total Revenue	290,341	290,341	0	48,511	45,622	(2,889)
Expenditures:						
Regular Instruction	0	0	0	16,397	9,630	6,767
Special Instruction	0	0	0	29,262	29,262	0
Vocational Instruction	0	0	0	473	40	433
Adult/Continuing Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	2,670	0	2,670
Support Services-Instructional Staff	367,231	350,906	16,325	6,135	5,815	320
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	666	666	0
Fiscal Services	0	0	0	0	0	0
Support Services-Business	0	0	0	8,487	0	8,487
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	231	92	139
Support Services-Central	0	0	0	7,418	4,912	2,506
Food Services	0	0	0	0	0	0
Community Services	0	0	0	7	0	7
Other Operational Non-Instructional Services	0	0	0	726	0	726
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented Activities	3,046	0	3,046	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvements	881,560	650,220	231,340	0	0	0
Building Improvement	214,236	96,541	117,695	0	0	0
Total Expenditures	1,466,073	1,097,667	368,406	72,472	50,417	22,055
Excess of Revenue Over (Under) Expenditures	(1,175,732)	(807,326)	368,406	(23,961)	(4,795)	19,166
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	0	0	0
Advances-In	0	0	0	0	1,208	1,208
Refund of Prior Years Expenditures	3,396	3,396	0	0	0	0
Transfer-Out	0	0	0	0	0	0
Advance-Out	0	0	0	0	(5,000)	(5,000)
Refund of Prior Year Receipts	0	0	0	(9,144)	(9,144)	0
Other Miscellaneous Use of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	3,396	3,396	0	(9,144)	(12,936)	(3,792)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,172,336)	(803,930)	368,406	(33,105)	(17,731)	15,374
Beginning Fund Balance	1,411,997	1,411,997	0	31,878	31,878	0
Prior Year Carry Over Encumbrances	263,115	263,115	0	6,228	6,228	0
Ending Fund Balance	\$ 502,776	871,182	368,406	5,001	20,375	\$ 15,374

(Continued)

Warren City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

Total (Memorandum Only)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 17,703,486	17,703,486	\$ 0
Tuition	199,465	199,465	0
Transportation Fees	58,346	58,346	0
Earnings on Investment	536,776	560,060	23,284
Extracurricular Activities	297,215	299,237	2,022
Miscellaneous	561,968	559,079	(2,889)
Intermediate Restricted Grants-in-Aid	25,000	25,000	0
State Unrestricted Grants-in-Aid	29,586,957	29,586,957	0
State Restricted Grants-in-Aid	6,573,520	6,498,639	(74,881)
Federal Unrestricted Grants-in-Aid	831,449	540,611	(290,838)
Federal Restricted Grants-in-Aid	6,326,894	5,790,752	(536,142)
Revenue in Lieu of Taxes	34,693	34,693	0
Total Revenue	62,735,769	61,856,325	(879,444)
Expenditures:			
Regular Instruction	26,483,374	26,029,676	453,698
Special Instruction	10,006,988	8,991,340	1,015,648
Vocational Instruction	765,899	763,984	1,915
Other/Adult/Continuing Instruction	310,856	238,902	71,954
Other Instruction	160,831	160,831	0
Support Services-Pupils	4,156,083	3,792,521	363,562
Support Services-Instructional Staff	5,150,597	4,663,928	486,669
Support Services-Board of Education	43,604	43,573	31
Support Services-Administration	4,983,911	4,862,277	121,634
Fiscal Services	1,019,855	968,940	50,915
Support Services-Business	658,279	637,622	20,657
Operation & Maintenance-Plant	7,780,926	7,762,807	18,119
Support Services-Transportation	2,427,860	2,404,153	23,707
Support Services-Central	900,966	889,012	11,954
Food Services	9,278	8,910	368
Community Services	1,068,463	877,973	190,490
Other Operational Non-Instruction	5,251	3,055	2,196
Academic & Subject Oriented	340,744	297,383	43,361
Occupation Oriented Activities	5,137	2,109	3,028
Sports Oriented Activities	849,805	836,479	13,326
Co-Curricular Activities	32,886	27,843	5,043
Site Improvement	881,560	650,220	231,340
Building Improvement	244,003	126,326	117,677
Total Expenditures	68,287,156	65,039,864	3,247,292
Excess of Revenue Over (Under) Expenditures	(5,551,387)	(3,183,539)	2,367,848
Other Financing Sources (Uses):			
Sale & Loss of Assets	4,395	4,395	0
Transfer-In	86,850	86,850	0
Advances-In	0	142,613	142,613
Refund of Prior Year Expenditures	13,307	15,120	1,813
Transfer-Out	(83,974)	(80,474)	3,500
Advances-Out	(304,650)	(142,613)	162,037
Refund of Prior Year Receipts	(66,339)	(65,295)	1,044
Other Miscellaneous Use of Funds	(54)	(54)	0
Total Other Sources (Uses)	(350,465)	(39,458)	311,007
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,901,852)	(3,222,997)	2,678,855
Beginning Fund Balance	15,118,740	15,118,740	0
Prior Year Carry Over Encumbrances	2,288,369	2,288,369	0
Ending Fund Balance	\$ 11,505,257	14,184,112	\$ 2,678,855

See Accompanying Notes to the General Purpose Financial Statements

Warren City School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types			Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Tuition	\$ 203,943	0	0	\$ 203,943
Food Service	441,247	0	0	441,247
Extracurricular Activities	0	28,388	0	28,388
Classroom Materials & Fees	42,981	0	0	42,981
Miscellaneous	8,984	6,616,772	0	6,625,756
Total Operating Revenue	697,155	6,645,160	0	7,342,315
Operating Expenses:				
Personal Services - Salary	688,492	2,890	0	691,382
Employee Benefits	343,077	7,996	0	351,073
Purchased Services	70,345	426	0	70,771
Supplies and Materials	1,104,736	199,066	0	1,303,802
Other Expenses	124	5,210,771	0	5,210,895
Depreciation	24,708	992	0	25,700
Total Operating Expenses	2,231,482	5,422,141	0	7,653,623
 Operating Gain (Loss)	 (1,534,327)	 1,223,019	 0	 (311,308)
Non-Operating Revenues:				
Earnings On Investments	22,289	3,384	618	26,291
Miscellaneous	10,195	8,010	111	18,316
State Restricted Grants-in-Aid	106,646	0	0	106,646
Revenue for/on Behalf of District	7,756	0	0	7,756
Federal Unrestricted Grants-In-Aid	1,408,503	0	0	1,408,503
Federal Restricted Grants-in-Aid	332,234	0	0	332,234
Total Non-Operating Revenues	1,887,623	11,394	729	1,899,746
 Net Income	 353,296	 1,234,413	 729	 1,588,438
 Beginning Retained Earnings	 1,739,567	 1,581,057	 25,098	 3,345,722
Retained Earnings at End of Year	\$ 2,092,863	2,815,470	25,827	\$ 4,934,160

See Accompanying Notes to the General Purpose Financial Statements

Warren City School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types			Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Loss	\$ (1,534,327)	1,223,019	0	\$ (311,308)
Adjustment to Reconcile Operating Loss				
To Net Cash used in Operating Activities:				
Depreciation	24,708	992	0	25,700
Net (Increase) Decrease in Assets:				
Due from Other Governments	(9,305)	0	0	(9,305)
Accounts Receivable	26,298	(460,714)	0	(434,416)
Inventory	(21,842)	(20,069)	0	(41,911)
Prepaid Expense	(20)	0	0	(20)
Net Increases (Decreases) in Liabilities:				
Due to Other Funds	(9,615)	0	0	(9,615)
Due to Other Governments	49	0	0	49
Accounts Payable	(10,412)	14,025	0	3,613
Claims Payable	0	383,000	0	383,000
Accrued Wages and Benefits	(6,078)	0	0	(6,078)
Deferred Revenue	(56,622)	0	0	(56,622)
Compensated Absences	1,532	0	0	1,532
Total Adjustments	(61,307)	(82,766)	0	(144,073)
Net Cash Used in Operating Activities	(1,595,634)	1,140,253	0	(455,381)
Cash Flows from Noncapital Activities:				
Earnings on Investments	22,289	3,384	618	26,291
Operating Grants from State Sources	106,646	0	0	106,646
Operating Grants from Federal Sources	1,740,737	0	0	1,740,737
Other Net	17,951	8,010	111	26,072
Net Cash Provided by Noncapital Financing Sources	1,887,623	11,394	729	1,899,746
Cash Flows from Capital Financing Sources:				
Acquisition of Assets	(38,264)	0	0	(38,264)
Net Cash Provided by Capital Financing Sources	(38,264)	0	0	(38,264)
Net Increase in Cash & Cash Equivalents	253,725	1,151,647	729	1,406,101
Cash and Cash Equivalents at Beginning of Year	1,123,688	1,064,591	25,098	2,213,377
Cash and Cash Equivalents at End of Year	<u>\$ 1,377,413</u>	<u>2,216,238</u>	<u>25,827</u>	<u>\$ 3,619,478</u>
See Accompanying Notes to General Purpose Financial Statements				

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**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Warren City School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2001, was 6,874. The District employed 645 certified employees and 385 non-certificated employees.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District is associated with five jointly governed organizations and one insurance purchasing pool. These organizations are the Northeast Ohio Management Network (NEOMIN), the Northeast Ohio Instructional Media Center (NEOIMC), the Northeast Ohio Special Education Regional Resource Center (NEO/SERRC), the Region 12 Professional Development Center (Center), the Trumbull County Career and Technical Center and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12 and 16 to the general purpose financial statements.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

B. Fund Accounting

The 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

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

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

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

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Types

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

Enterprise Funds - These funds are used to account for the operations 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus/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 and nonexpendable trust 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 are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

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

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

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria 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, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. 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 non-operating revenue.

D. Budget and Budgetary Accounting

All governmental and proprietary fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the general purpose financial statements:

1. A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
2. The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
3. An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
4. The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The major differences between the budgetary basis of accounting and GAAP are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d. 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).

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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to Federal agency securities, certificates of deposit, money market mutual funds, the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio which are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Permanent Improvements Funds, Internal Service Funds, and Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$569,710 for the General Fund, \$12,903 for the Special Revenue Funds, \$22,289 for the Enterprise Funds, \$3,384 for the Internal Service Funds and \$618 for the Non-Expendable Trust Funds.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2002. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. Inventories

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. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items by 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. Some examples of prepaid items are: equipment maintenance agreements, vehicle insurance, liability insurance, and building and contents insurance.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had \$921,942 in "Due to/from Other Funds" and \$109,613 in "Interfund Receivables/Payables."

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2002 the District had no long-term interfund loans.

L. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with fifteen or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available 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 debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2002, the District had no contributed capital.

N. Long Term-Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. 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 other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for supplies inventory, encumbrances, future appropriation and budget stabilization reserve. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Q. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A related fund balance reserve has also been established.

R. Estimates

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

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "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.

2. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue	Capital Project	Expendable Trust
GAAP Basis	\$ (490,997)	698,610	(309,953)	\$ (6,089)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenues	(592,481)	(322,924)	0	(7,069)
Due to Expenditures:				
Net Adjustments to Expenditures	(1,220,230)	(485,321)	(493,977)	(9,303)
Due to Other Sources/Uses	(69,583)	81,590	0	4,730
Budget Basis	<u>\$ (2,373,291)</u>	<u>(28,045)</u>	<u>(803,930)</u>	<u>\$ (17,731)</u>

3. ACCOUNTABILITY AND COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

Contrary to Ohio Revised Code Section 5705.41(B), the District had expenditures which exceeded appropriations within the Self Insurance Fund.

4. CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or able to be withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

4. CASH AND INVESTMENTS (continued)

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

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

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. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

4. CASH AND INVESTMENTS (continued)

Deposits: At fiscal year end, the carrying amount of the District's deposits was (\$1,125,759) and the bank balance was \$15,175. All of the bank balance was covered by Federal Depository Insurance. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all

State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreements	\$ 0	\$ 0	\$ 7,095,852	\$ 7,095,852	\$ 7,095,852
Money Market Mutual Funds	0	0	0	2,704,636	2,704,636
Federal Home Loan Bank Bonds	0	0	3,953,189	3,953,189	3,978,765
Certificates of Deposit	0	0	5,000,000	5,000,000	5,000,000
STAR Ohio	0	0	0	3,302,433	3,302,433
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,049,041</u>	<u>\$ 22,056,110</u>	<u>\$ 22,081,686</u>

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 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

4. CASH AND INVESTMENTS (continued)

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 20,936,021	\$ 0
Investments:		
Repurchase Agreements	(7,095,852)	7,095,852
No-Load Money Market Mutual Funds	(2,704,636)	2,704,636
Federal Home Loan Bank Bonds	(3,953,189)	3,953,189
Certificates of Deposit	(5,000,000)	5,000,000
STAR Ohio	(3,302,433)	3,302,433
Total	(1,120,089)	22,056,110
Cash on Hand	(5,670)	0
GASB Statement No. 3	\$ (1,125,759)	\$ 22,056,110

5. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Trumbull County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last evaluation for the District was completed in 2002; an update is scheduled for 2005. The next revaluation is scheduled for 2008. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in February. If paid semi-annually, the first payment is due in February, with the remainder payable in July.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by October.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

5. PROPERTY TAX (continued)

The Trumbull County Treasurer collects property tax on behalf of the District. The Trumbull County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$52.55 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$	83,360,750
Real Property-Residential/Agricultural		230,050,360
Real Property-Public Utilities		81,280
Personal Property-General		113,158,263
Personal Property-Public Utilities		20,937,470
Total Assessed Value	<u>\$</u>	<u>447,588,123</u>

6. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:		
Tuition	\$	239,210
CAFS Reimbursement		55,804
Transportation Fees		3,357
Impact Aid Reimbursement		941
Total General Fund	<u>\$</u>	<u>299,312</u>
Special Revenue Funds:		
Youth Build Program Grant		5,911
ABLE Grants		35,920
Title VI-B Grant		272,694
Reading Excellence Grant		22,939
Reading Resource Grant		6,480
Total Special Revenue Funds	<u>\$</u>	<u>343,944</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

7. RECEIVABLES (continued)

Enterprise Funds:	
Food Service	\$ 203,361
Adult Education	19,303
Total Enterprise Fund	\$ 222,664
Grand Total	\$ 865,920

8. FIXED ASSETS

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002:

Furniture and Equipment	\$ 905,250
Less Accumulated Depreciation	(433,993)
Net Fixed Assets	\$ 471,257

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 443,364	0	0	\$ 443,364
Buildings	16,532,762	26,000	0	16,558,762
Furniture and Equipment	17,381,383	1,103,797	21,488	18,463,692
Vehicles	2,420,874	18,370	19,862	2,419,382
Total General Fixed Assets	\$ 36,778,383	1,148,167	41,350	\$ 37,885,200

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

9. DEFINED BENEFIT PENSION PLANS -(continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,059,936, \$1,108,632 and \$1,146,200 respectively; 43.88 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$677,819 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

2. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic 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 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$4,144,704, \$4,042,464 and \$3,523,092, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$690,784 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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 funded 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 cost 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,332,226 for fiscal year 2002.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

10. POSTEMPLOYMENT BENEFITS - (continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. 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 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$794,413.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

11. COMPENSATED ABSENCES

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

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

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

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

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

10. COMPENSATED ABSENCES - (continued)

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

11. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, The District maintains a \$2,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

B. Workers' Compensation

The 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 Ohio School Boards Association. 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of this grouping and representation with other participants in the GRP. The workers' compensation experience for 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 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 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 & Company provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

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

This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure basic medical coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

11. RISK MANAGEMENT - (continued)

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$903,000 at June 30, 2002.

A summary of changes in self-insurance claims for the current and two preceding years follows:

		Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
2000	\$	438,000	2,947,370	(2,884,370)	\$ 501,000
2001	\$	501,000	2,604,161	(2,585,161)	\$ 520,000
2002	\$	520,000	5,206,001	(4,823,001)	\$ 903,000

Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the Self-Insurance Fund and as an expenditure in the disbursing fund.

The following is a summary of payments made to the Self-Insurance Fund by fund type:

General Fund	\$ 4,508,379
Special Revenue Funds	1,186,415
Enterprise Funds	<u>237,283</u>
Total Contributions	<u><u>\$ 5,932,077</u></u>

12. GENERAL LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 496,501	477,004	496,501	\$ 477,004
Compensated Absences Payable	3,240,371	3,247,116	3,240,371	3,247,116
	<u>\$ 3,736,872</u>	<u>3,724,120</u>	<u>3,736,872</u>	<u>\$ 3,724,120</u>

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

13. GENERAL LONG-TERM DEBT -(continued)

Debt Limitations: The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9 percent of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .01 percent of the total assessed value of property. The District has no unvoted debt. At June 30, 2002, the District's unvoted debt margin is \$447,588 and the voted debt margin is \$40,282,931.

Intergovernmental Payables: The District makes payments to the School Employees Retirement System for surcharge and retirement contributions through deductions from state foundation payments. The deduction takes place outside of the available period and is not considered to be paid from currently available resources. Therefore, the liability is presented as an intergovernmental payable in the general long term debt account group.

14. INTERFUND TRANSACTIONS

At June 30, 2002, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 109,613	\$ 0
Special Revenue	0	108,405
Agency Fund	0	1,208
	\$ 109,613	\$ 109,613

Due From/To Other Funds:

	Due To Other Funds	Due From Other Funds
Agency Fund	\$ 0	\$ 921,942
General Fund	607,494	0
Special Revenue Fund	271,598	0
Enterprise Fund	42,850	0
	\$ 921,942	\$ 921,942

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

15. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Adult Education	U.S. Swim	Special Enterprise	Total
Operating Revenues	\$ 450,231	42,981	203,943	0	0	\$ 697,155
Operating Expenses:	1,902,984	44,036	259,728	26	0	2,206,774
Depreciation	14,150	3,821	6,682	0	55	24,708
Total Operating Expenses	1,917,134	47,857	266,410	26	55	2,231,482
Operating Income (loss)	(1,466,903)	(4,876)	(62,467)	(26)	(55)	(1,534,327)
Non Operating Revenues and Expenses:						
Operating Grants	1,766,826	0	88,313	0	0	1,855,139
Other Net	22,289	9,595	600	0	0	32,484
Net Income (loss)	<u>\$ 322,212</u>	<u>\$ 4,719</u>	<u>\$ 26,446</u>	<u>\$ (26)</u>	<u>\$ (55)</u>	<u>\$ 353,296</u>
Net Working Capital	<u>\$ 1,280,414</u>	<u>\$ 80,764</u>	<u>\$ 266,914</u>	<u>\$ 1,353</u>	<u>\$ 2,171</u>	<u>\$ 1,631,616</u>
Total Assets	<u>\$ 1,788,961</u>	<u>\$ 116,114</u>	<u>\$ 310,388</u>	<u>\$ 1,379</u>	<u>\$ 2,360</u>	<u>\$ 2,219,202</u>
Total Fund Equity	<u>\$ 1,678,842</u>	<u>\$ 113,445</u>	<u>\$ 296,863</u>	<u>\$ 1,353</u>	<u>\$ 2,360</u>	<u>\$ 2,092,863</u>

16. JOINTLY GOVERNED ORGANIZATIONS

TRUMBULL CAREER AND TECHNICAL CENTER - The Trumbull Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the fifteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer at 528 Educational Highway, Warren, Ohio 44483.

NORTHEAST OHIO MANAGEMENT INFORMATION NETWORK- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$105,300 to NEOMIN for fiscal year 2002.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

17. JOINTLY GOVERNED ORGANIZATIONS (continued)

NORTHEAST OHIO SPECIAL EDUCATION REGIONAL RESOURCE CENTER- (NEOSERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEOSERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

NORTHEAST OHIO INSTRUCTIONAL MEDIA CENTER - (NEOIMC) is a jointly governed organization among forty-five school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member districts. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, the county superintendent from each participating county, one city superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year, 2002, the District contributed \$16,719. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

REGION 12 PROFESSIONAL DEVELOPMENT CENTER - (Center) is a jointly governed organization among the school districts of Trumbull, Mahoning and Columbiana Counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a board made up of nineteen representatives of the participating school districts, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2002.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

18. CONTINGENCIES - (continued)

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2002.

19. SCHOOL FUNDING DECISION

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

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

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

20. STATUTORY RESERVES

The District is required by State statute, annually, to 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.

Effective April 10, 2001, the District is no longer required to maintain a budget stabilization reserve. However, restrictions have been placed on the disposition of any balances remaining in the previously required budget reserve.

The following cash basis information describes the change in the year-end set aside amounts for the textbook, capital acquisition and budget stabilization. Disclosure of this information is required by State statute. The District had qualifying disbursements during the year that reduced the set-aside amounts for textbooks and capital improvements to below zero. The extra amount for textbooks may be used to reduce the set-aside requirements in future years. However, negative amounts are not presented as being carried forward to the next fiscal year.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002**

20. STATUTORY RESERVES (continued)

During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/2001	\$ 0	\$ 0	\$ 328,646	\$ 328,646
Required Set Aside	878,445	878,445	0	1,756,890
Offset Credits	0	0	0	0
Qualifying Expenditures	(1,625,171)	(2,286,386)	0	(3,911,557)
Balance, 6/30/2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 328,646</u>	<u>\$ 328,646</u>

21. FUND DEFICITS

Fund balances and retained earnings at June 30, 2002, include the following individual fund deficits:

D.P.I.A. Grant	\$ (872,649)
Alternative School/Challenge Grant	\$ (3,174)
Community Development Block Grant	\$ (2,410)
Title VI-R Grant	\$ (25,289)
City Summer Swim Fund	\$ (26)

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate them. Additionally, revenues were insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

**WARREN CTIY SCHOOL DISTRICT
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$195,054		\$171,655
School Breakfast Program	05-PU-01/02	10.553	\$294,237		\$294,237	
National School Lunch Program	03/04-PU-00/01	10.555	1,083,270		1,083,270	
Summer Food Service Program	23/24-ML-AD-01	10.559	25,159		25,159	
Summer Food Service Program	23/24-ML-AD-00				7,928	
Total U.S. Department of Agriculture - Nutrition Cluster			1,402,666	195,054	1,410,594	171,655
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
<i>Passed Through City of Warren, Ohio:</i>						
Community Development Block Grant	N/A	14.218	41,033		41,033	
Total U.S. Department of Housing and Urban Development			41,033		41,033	
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Adult Education- State Grant Program	AB-S1-01	84.002	14,405		32,527	
	AB-S1-02		251,263		213,260	
	AB-S1-01C		0		488	
	AB-S1-02C		42,174		34,997	
			307,842		281,272	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00C	84.010	0		12,520	
	C1-SD-00C		0		309	
	C1-S1-01		0		351,730	
	C1-SD-01		0		8,443	
	C1-S1-01C		653,877		643,321	
	C1-S1-02		2,393,123		1,301,044	
	C1-SD-02C		0		13,745	
	C1-SD-02		50,914		24,150	
			3,097,914		2,355,262	
Title I Accountability Grant	AKSI-02	84.348	225,845		191,959	
			225,845		191,959	
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-01P	84.027	109,331		193,972	
	6B-SF-02P		534,645		576,783	
Total Special Education Cluster			643,976		770,755	
Safe and Drug-Free Schools - State grants	DR-S1-01	84.186	20,445		24,068	
	DR-S1-02		38,466		29,995	
			58,911		54,063	
Goals 2000	G2-S2-00	84.276	44,539		54,238	
	G2-S2-01		0		25,613	
	G2-S1-01		30,000		18,580	
	G2-S9-01		25,000		0	
	G2-S5-01		8,500		352	
	G2-S1-00		3,000		376	
			111,039		99,159	
Eisenhower Professional Development State Grants	MS-S1-00	84.281	0		10,345	
	MS-S1-01		0		22,433	
	MS-S1-02		48,275		15,093	
			48,275		47,871	
Innovative Educational Program Strategies	C2-S1-00	84.298	0		5,234	
	C2-S1-01		5,831		19,152	
	C2-S1-00C		64,131		39,900	
			69,962		64,286	

WARREN CTIY SCHOOL DISTRICT
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Technology Literacy Challenge Fund	TF(51,2,3)-01 ATSI-02	84.318	250,000 30,807 <u>280,807</u>		247,822 16,275 <u>264,097</u>	
Class Size Reduction	CR-S1-00 CR-S1-01 CR-S1-02	84.340	0 138,631 283,425 <u>422,056</u>		2,339 161,572 247,495 <u>411,406</u>	
Reading Excellence	RN-S1-00	84.338	361,800		339,564	
<i>Direct Federal Programs:</i>						
Impact Aid	N/A	84.041	5,966 <u>5,966</u>		5,966 <u>5,966</u>	
21st Century Community Learning Centers	S2-87B-245-01 S2-87B-245-02	84.287	86,524 75,838 <u>162,362</u>		101,785 63,159 <u>164,944</u>	
Total U.S. Department of Education Direct Federal Programs			<u>168,328</u>		<u>170,910</u>	
Total U.S. Department of Education			<u>5,796,755</u>		<u>5,050,604</u>	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (CAFS)		93.778	398,924 <u>398,924</u>		398,924 <u>398,924</u>	
Total U.S. Department of Health and Human Services			<u>398,924</u>		<u>398,924</u>	
TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS			<u>\$7,639,378</u>	<u>\$195,054</u>	<u>\$6,901,155</u>	<u>\$171,655</u>

The accompanying notes to this schedule are an integral part of this statement.

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY
FISCAL YEAR ENDED JUNE 30, 2002**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had food commodities valued at \$77,497 in inventory.

NOTE E -- MATCHING REQUIREMENTS

Certain Federal programs require that the School contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Warren City School District
Trumbull County
261 Monroe St., NW
Warren, Ohio 44483

To the Board of Education:

We have audited the financial statements of Warren City School District, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Warren City 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2002-11178-001. We also a certain immaterial instance of noncompliance that we have reported to management of Warren in a separate letter dated January 17, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren City 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Warren City School District in a separate letter dated January 17, 2003.

Warren City School District
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, Board of Education 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.

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

Betty Montgomery
Auditor of State

January 17, 2003



Auditor of State Betty Montgomery

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

Warren City School District
Trumbull County
261 Monroe St., NW
Warren, Ohio 44483

To the Board of Education:

Compliance

We have audited the financial statements of Warren City 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, 2002. Warren City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Warren City School District's management. Our responsibility is to express an opinion on Warren City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Warren City 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 City School District's compliance with those requirements.

In our opinion, Warren City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002.

Internal Control over Compliance

The management of Warren City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Warren City 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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 17, 2003.

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

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

Betty Montgomery
Auditor of State

January 17, 2003

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002**

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 statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance 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?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to State (Idea Part B) - CFDA # 84.027 Nutrition Cluster – CFDA #'s 10.550, 10.553, 10.555 and 10.559
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505

WARREN CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2002
(Continued)

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

Finding Number	2002-11178-001
-----------------------	-----------------------

Ohio Revised Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of June 30, 2002, the following fund had significant expenditures in excess of appropriations:

Fund	Appropriations	Expenditures	Variance
Self Insurance Fund	\$ 4,406,769	\$ 4,823,001	\$(416,232)

At June 30, 2002, expenditures exceeded appropriations for the fund listed above. This would indicate that the amount set aside for appropriation in this fund was overdrawn.

We recommend that the District establish control procedures to provide assurance that the requirements established by the Ohio Revised Code are adhered to.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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WARREN CITY SCHOOL DISTRICT

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2003**