

**WARREN LOCAL SCHOOL DISTRICT**  
**ANNUAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Education  
Warren Local School District

We have reviewed the Independent Auditor's Report of the Warren Local School District, Washington County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 8, 2004

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**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Warren Local School District  
Vincent, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren Local School District as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Warren Local School District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management Discussion and Analysis-for State and Local Governments* as of June 30, 2003. The District has also adopted GASB Statements Nos. 37, 38, 41 and Interpretation No. 6 for the year ending June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2004, on our consideration of Warren Local School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

**Wolfe, Wilson, & Phillips, Inc.**  
Zanesville, Ohio  
February 2, 2004

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

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The discussion and analysis of the Warren Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for the fiscal year 2003 are as follows:

- In total, net assets increased \$487,076. Net assets of governmental activities increased \$468,401, which represents a 6.9% increase from 2002. Net assets of business-type activities increased \$18,675 or 17% from 2002.
- General revenues accounted for \$16,906,545 in revenue or 89% of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,025,950 or 11% of total revenues of \$18,932,495.
- Total program expenses were \$19,178,365, \$18,464,094 in governmental activities and \$714,271 in business-type activities.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Warren Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



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

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

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

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

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's food service programs are reported as business activities.

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

*Fund Financial Statements*

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

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

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

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

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2003 compared to 2002.

(Table 1)  
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
<b>Assets</b>						
Current and Other Assets	\$14,361,597	\$13,039,755	\$152,270	\$122,811	\$14,513,867	\$13,162,566
Capital Assets, Net	5,178,302	4,720,080	59,459	54,017	5,237,761	4,774,097
<i>Total Assets</i>	<u>19,539,899</u>	<u>17,759,835</u>	<u>211,729</u>	<u>176,828</u>	<u>19,751,628</u>	<u>17,936,663</u>
<b>Liabilities</b>						
Current and Other Liabilities	10,708,456	9,375,595	71,899	61,251	10,780,355	9,436,846
Long-term Liabilities						
Due Within One Year	158,360	224,099	0	0	158,360	224,099
Due in More Than One Year	1,385,360	1,340,819	14,013	8,435	1,399,373	1,349,254
<i>Total Liabilities</i>	<u>12,252,176</u>	<u>10,940,513</u>	<u>85,912</u>	<u>69,686</u>	<u>12,338,088</u>	<u>11,010,199</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	4,963,302	4,335,080	59,459	54,017	5,022,761	4,389,097
Restricted	348,296	507,281	0	0	348,296	507,281
Unrestricted	1,976,125	1,976,961	66,358	53,125	2,042,483	2,030,086
<i>Total Net Assets</i>	<u>\$7,287,723</u>	<u>\$6,819,322</u>	<u>\$125,817</u>	<u>\$107,142</u>	<u>\$7,413,540</u>	<u>\$6,926,464</u>

Total assets increased \$1,814,965 million with governmental assets increasing \$1,780,064 and business type assets increasing \$34,901. For governmental activities, over \$494,000 of the increase is in equity in pooled cash, almost \$876,000 is in property taxes, and over \$458,000 is in capital assets.

Total liabilities also increased \$1,327,889, with governmental liabilities comprising all but \$16,226 of the total amount. This increase was the result of wage increases causing the accrued wages and benefits liability to increase over \$178,000. The largest increase is with deferred revenue of nearly \$1,139,000, most of which is attributable to deferred property taxes revenue.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2003. Since this is the first year Warren Local has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

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

Table 2  
 Changes in Net Assets

	Governmental Activities <u>2003</u>	Business-Type Activities <u>2003</u>	Total <u>2003</u>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$317,008	\$477,710	\$794,718
Operating Grants, Contributions and Interest	1,557,450	255,236	1,812,686
Capital Grants and Contributions	151,492	0	151,492
Total Program Revenues	<u>2,025,950</u>	<u>732,946</u>	<u>2,758,896</u>
General Revenues			
Property Taxes	7,192,121	0	7,192,121
Grants and Entitlements	9,518,630	0	9,518,630
Investment Earnings	119,759	0	119,759
Miscellaneous	76,035	0	76,035
Total General Revenues	<u>16,906,545</u>	<u>0</u>	<u>16,906,545</u>
Total Revenues	<u>18,932,495</u>	<u>732,946</u>	<u>19,665,441</u>
<b>Program Expenses</b>			
Instruction:			
Regular	9,367,300	0	9,367,300
Special	1,666,507	0	1,666,507
Vocational	273,397	0	273,397
Support Services:			
Pupils	682,936	0	682,936
Instructional Staff	652,347	0	652,347
Board of Education	81,569	0	81,569
Administration	1,550,977	0	1,550,977
Fiscal	610,773	0	610,773
Operation and Maintenance of Plant	1,732,061	0	1,732,061
Pupil Transportation	1,335,043	0	1,335,043
Central	9,058	0	9,058
Operation of Non-Instructional Services	41,821	0	41,821
Extracurricular Activities	440,210	0	440,210
Interest and Fiscal Charges	20,095	0	20,095
Food Service	0	714,271	714,271
Total Expenses	<u>18,464,094</u>	<u>714,271</u>	<u>19,178,365</u>
Increase in Net Assets	<u>\$468,401</u>	<u>\$18,675</u>	<u>\$487,076</u>

**Warren Local School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2003*  
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The DeRolph III decision has not eliminated the dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. Inflation alone will not increase the amount of funds generated by a tax levy. Basically, the mills collected decreases as the property valuation increases thus generating about the same revenue. Property taxes made up approximately 38% of revenues for governmental activities for the Warren Local School District in fiscal year 2003.

Instruction comprises approximately 61% of governmental program expenses.

***Governmental Activities***

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3  
 Governmental Activities

	Total Cost of Services	Net Cost of Services
	2003	2003
<b>Program Expenses</b>		
Instruction:		
Regular	\$9,367,300	\$8,994,648
Special	1,666,507	822,594
Vocational	273,397	232,462
Support Services:		
Pupil	682,936	633,442
Instructional Staff	652,347	504,676
Board of Education	81,569	81,569
Administration	1,550,977	1,349,204
Fiscal	610,773	608,694
Operation and Maintenance of Plant	1,732,061	1,719,424
Pupil Transportation	1,335,043	1,170,266
Central	9,058	839
Operation of Non-Instructional Services	41,821	30,237
Extracurricular Activities	440,210	269,994
Interest and Fiscal Charges	20,095	20,095
<b>Total</b>	<b>\$18,464,094</b>	<b>\$16,438,144</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2003, approximately 92% of instruction activities were supported through taxes and other general revenues.

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

***Business-Type Activities***

The business-types activities involve the School's food service operation. This program had revenues of \$732,946 and expenses of \$714,271 for fiscal year 2003. The revenues exceeded the expenditures for this reported fiscal year and the two previous years.

**The School District Funds**

The School District's major fund is accounted for using the modified accrual basis of accounting.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2003, the School District amended its general fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis revenue was \$17,870,995, above original estimates of \$16,627,753. The difference was due to more property tax and homestead and rollback revenue collected than was certified by the County Auditor and conservative budgeting. Expenditures of \$17,475,696 were lower than final appropriations of \$18,060,633.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2003, the School District had \$14,981,471 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2003 balances compared to 2002.

(Table 3)  
 Capital Assets at June 30 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$232,702	\$191,702	\$0	\$0	\$232,702	\$191,702
Buildings and Improvements	3,258,342	3,288,708	0	0	3,258,342	3,288,708
Furniture and Equipment	540,684	244,431	59,459	54,017	600,143	298,448
Vehicles	1,146,574	995,239	0	0	1,146,574	995,239
<b>Totals</b>	<b>\$5,178,302</b>	<b>\$4,720,080</b>	<b>\$59,459</b>	<b>\$54,017</b>	<b>\$5,237,761</b>	<b>\$4,774,097</b>

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

During fiscal year 2003, the School District made improvements to the high school parking lot and other parking lots and driveways; purchased school buses ,furniture and computers; and made the first payment on ten modular classrooms. See note 10 to the basic financial statements for more information on capital assets.

***Debt***

At June 30, 2003, the School District had \$215,000 in bonds outstanding.

Table 5  
 Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2003	2002
2000 School Bus Bonds	\$215,000	\$315,000
1994 Energy Conservation Notes	0	70,000
Totals	\$215,000	\$385,000

See note 15 to the basic financial statements for more information on debt.

**Current Issues**

Over the past several years the School District has remained in a stable financial position and has increased its cash balance carry-over the last 10 years. Approximately 99% of the School District is in Washington County and the remaining 1% is in Athens County. Washington County went through a property reappraisal in calendar year 1998. This reappraisal increased the School District's property valuation \$29 million dollars. A next update will occur in 2004.

As the preceding information shows, the School District depends on its property taxpayers. Based on the current financial situation, and the ability to maintain current program and staffing levels, the School District will be able to maintain financial stability.

The Board of Education and administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability and to ensure that significant outlays may be made in the future to address our facility needs.

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

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

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sidney Brackenridge, Treasurer at Warren Local School District, 220 Sweetapple Road, Vincent, Ohio 45784, or E-Mail at [WL\\_Sbrackenr@Seovec.Org](mailto:WL_Sbrackenr@Seovec.Org).

**Warren Local School District, Ohio**

*Statement of Net Assets*

June 30, 2003

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$5,352,191	\$105,343	\$5,457,534
Cash and Cash Equivalents in Segregated Accounts	417	0	417
Cash and Cash Equivalents with Fiscal Agents	531	0	531
Inventory Held for Resale	0	10,682	10,682
Materials and Supplies Inventory	85,058	7,807	92,865
Intergovernmental Receivable	116,613	25,148	141,761
Prepaid Items	148,785	3,290	152,075
Accounts Receivable	6,442	0	6,442
Property Taxes Receivable	8,651,560	0	8,651,560
Nondepreciable Capital Assets	232,702	0	232,702
Depreciable Capital Assets, Net	4,945,600	59,459	5,005,059
<i>Total Assets</i>	<u>19,539,899</u>	<u>211,729</u>	<u>19,751,628</u>
<b>Liabilities</b>			
Accounts Payable	93,386	1,223	94,609
Accrued Wages and Benefits Payable	1,602,937	45,192	1,648,129
Accrued Interest Payable	2,645	0	2,645
Vacation Benefits Payable	69,508	0	69,508
Deferred Revenue	8,381,521	0	8,381,521
Matured Interest Payable	531	0	531
Intergovernmental Payable	486,563	25,484	512,047
Claims Payable	71,365	0	71,365
Long-Term Liabilities:			
Due Within One Year	158,360	0	158,360
Due In More Than One Year	1,385,360	14,013	1,399,373
<i>Total Liabilities</i>	<u>12,252,176</u>	<u>85,912</u>	<u>12,338,088</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	4,963,302	59,459	5,022,761
Restricted for:			
Capital Projects	466	0	466
Debt Service	17,011	0	17,011
Bus Purchase	126,894	0	126,894
Textbooks	95,009	0	95,009
Other Purposes	108,916	0	108,916
Unrestricted	1,976,125	66,358	2,042,483
<i>Total Net Assets</i>	<u>\$7,287,723</u>	<u>\$125,817</u>	<u>\$7,413,540</u>

See accompanying notes to the basic financial statements



**Warren Local School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2003

	Program Revenues				Net (Expense)Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>							
Instruction:							
Regular	\$9,367,300	\$105,831	\$266,821	\$0	(\$8,994,648)	\$0	(\$8,994,648)
Special	1,666,507	0	843,913	0	(822,594)	0	(822,594)
Vocational	273,397	0	40,935	0	(232,462)	0	(232,462)
Support Services:							
Pupils	682,936	0	49,494	0	(633,442)	0	(633,442)
Instructional Staff	652,347	0	126,671	21,000	(504,676)	0	(504,676)
Board of Education	81,569	0	0	0	(81,569)	0	(81,569)
Administration	1,550,977	57,889	143,884	0	(1,349,204)	0	(1,349,204)
Fiscal	610,773	0	2,079	0	(608,694)	0	(608,694)
Operation and							
Maintenance of Plant	1,732,061	1,277	11,360	0	(1,719,424)	0	(1,719,424)
Pupil Transportation	1,335,043	5,059	37,226	122,492	(1,170,266)	0	(1,170,266)
Central	9,058	0	8,219	0	(839)	0	(839)
Operation of Non-Instructional							
Services	41,821	0	11,584	0	(30,237)	0	(30,237)
Extracurricular Activities	440,210	146,952	15,264	8,000	(269,994)	0	(269,994)
Interest and Fiscal Charges	20,095	0	0	0	(20,095)	0	(20,095)
<i>Total Governmental Activities</i>	18,464,094	317,008	1,557,450	151,492	(16,438,144)	0	(16,438,144)
<b>Business-Type Activity</b>							
Food Service	714,271	477,710	255,236	0	0	18,675	18,675
<i>Totals</i>	<u>\$19,178,365</u>	<u>\$ 794,718</u>	<u>\$1,812,686</u>	<u>\$151,492</u>	<u>(16,438,144)</u>	<u>18,675</u>	<u>(16,419,469)</u>
<b>General Revenues</b>							
Property Taxes Levied for:							
General Purposes					7,110,240	0	7,110,240
Debt Service					81,881	0	81,881
Grants and Entitlements not							
Restricted to Specific Programs					9,518,630	0	9,518,630
Gifts and Donations					11,034	0	11,034
Interest					119,759	0	119,759
Miscellaneous					65,001	0	65,001
<i>Total General Revenues</i>					<u>16,906,545</u>	<u>0</u>	<u>16,906,545</u>
<i>Change in Net Assets</i>					468,401	18,675	487,076
<i>Net Assets Beginning of Year - Restated Note 3</i>					<u>6,819,322</u>	<u>107,142</u>	<u>6,926,464</u>
<i>Net Assets End of Year</i>					<u>\$7,287,723</u>	<u>\$125,817</u>	<u>\$7,413,540</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,483,358	\$1,530,917	\$5,014,275
Cash and Cash Equivalents in Segregated Accounts	0	417	417
Cash and Cash Equivalents with Fiscal Agents	0	531	531
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	221,903	0	221,903
Receivables:			
Property Taxes	8,514,209	137,351	8,651,560
Accounts	6,442	0	6,442
Intergovernmental	3,075	113,538	116,613
Interfund	31,650	0	31,650
Prepaid Items	143,532	5,253	148,785
Materials and Supplies Inventory	85,058	0	85,058
<i>Total Assets</i>	<u>\$12,489,227</u>	<u>\$1,788,007</u>	<u>\$14,277,234</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$65,838	\$27,548	\$93,386
Accrued Wages and Benefits Payable	1,543,258	59,679	1,602,937
Interfund Payable	0	31,650	31,650
Matured Interest Payable	0	531	531
Intergovernmental Payable	343,049	12,914	355,963
Deferred Revenue	8,350,556	227,657	8,578,213
<i>Total Liabilities</i>	<u>10,302,701</u>	<u>359,979</u>	<u>10,662,680</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	161,645	387,241	548,886
Reserved for Property Taxes	168,525	0	168,525
Reserved for Bus Purchase	126,894	0	126,894
Reserved for Textbooks	95,009	0	95,009
Unreserved, Undesignated, Reported in:			
General Fund	1,634,453	0	1,634,453
Special Revenue Funds	0	47,253	47,253
Capital Projects Funds	0	993,534	993,534
<i>Total Fund Balances</i>	<u>2,186,526</u>	<u>1,428,028</u>	<u>3,614,554</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$12,489,227</u>	<u>\$1,788,007</u>	<u>\$14,277,234</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2003*

<b>Total Governmental Fund Balances</b>		\$3,614,554
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,178,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	101,514	
Grants	90,306	
Student Fees	<u>4,872</u>	196,692
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		44,648
Interest Payable is accrued for outstanding long-term liabilities while interest is not reported until due on the Balance Sheet.		(2,645)
Vacation Benefits Payable is recognized for earned vacation benefits that are to be used within one year but is not recognized on the Balance Sheet until due.		(69,508)
Intergovernmental Payable includes contractually required pension contributions which are not expected to be paid with expendable available financial resources and therefore are not reported in the funds.		(130,600)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
School Bus Bonds Payable	(215,000)	
Sick Leave Benefits Payable	<u>(1,328,720)</u>	<u>(1,543,720)</u>
Net Assets of Governmental Activities		<u><u>\$7,287,723</u></u>
 See accompanying notes to the basic financial statements		

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2003*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$7,308,783	\$152,235	\$7,461,018
Intergovernmental	10,204,490	909,480	11,113,970
Interest	4,530	115,697	120,227
Tuition and Fees	100,959	0	100,959
Extracurricular Activities	0	187,598	187,598
Rent	1,277	0	1,277
Contributions and Donations	0	26,298	26,298
Miscellaneous	56,913	31,394	88,307
<i>Total Revenues</i>	<u>17,676,952</u>	<u>1,422,702</u>	<u>19,099,654</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	8,996,424	247,022	9,243,446
Special	1,338,108	332,447	1,670,555
Vocational	224,595	11,567	236,162
Support Services:			
Pupils	651,905	51,722	703,627
Instructional Staff	570,890	197,113	768,003
Board of Education	81,117	0	81,117
Administration	1,301,856	225,546	1,527,402
Fiscal	615,538	2,150	617,688
Operation and Maintenance of Plant	1,701,904	7,866	1,709,770
Pupil Transportation	1,459,332	395	1,459,727
Central	0	9,058	9,058
Operation of Non-Instructional Services	24,791	9,781	34,572
Extracurricular Activities	312,321	165,802	478,123
Capital Outlay	0	130,852	130,852
Debt Service:			
Principal Retirement	0	170,000	170,000
Interest and Fiscal Charges	0	21,860	21,860
<i>Total Expenditures</i>	<u>17,278,781</u>	<u>1,583,181</u>	<u>18,861,962</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>398,171</u>	<u>(160,479)</u>	<u>237,692</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	10,078	10,078
Transfers Out	(6,173)	(3,905)	(10,078)
<i>Total Other Financing Sources (Uses)</i>	<u>(6,173)</u>	<u>6,173</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	391,998	(154,306)	237,692
<i>Fund Balances Beginning of Year - Restated Note 3</i>	<u>1,794,528</u>	<u>1,582,334</u>	<u>3,376,862</u>
<i>Fund Balances End of Year</i>	<u>\$2,186,526</u>	<u>\$1,428,028</u>	<u>\$3,614,554</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2003*

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**Net Change in Fund Balances - Total Governmental Funds** \$237,692

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

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

Capital Asset Additions	732,295	
Capital Contributions	8,000	
Depreciation Expense	<u>(282,073)</u>	458,222

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

Student Fees	4,872	
Grants	88,866	
Delinquent Taxes	<u>(268,897)</u>	(175,159)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 170,000

In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expended when due. 1,765

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

Intergovernmental Payable	(7,542)	
Vacation Benefits Payable	(23,111)	
Tax Refund Payable	10,175	
Sick Leave Benefits Payable	<u>(159,277)</u>	(179,755)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (44,664)

*Change in Net Assets of Governmental Activities* \$468,101

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2003*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes	\$7,435,165	\$6,862,237	\$7,263,465	\$401,228
Intergovernmental	9,124,835	9,581,552	10,460,204	878,652
Interest	5,600	5,600	3,964	(1,636)
Tuition and Fees	138,463	138,464	101,830	(36,634)
Rent	900	900	1,277	377
Miscellaneous	54,000	39,000	40,255	1,255
<i>Total Revenues</i>	<u>16,758,963</u>	<u>16,627,753</u>	<u>17,870,995</u>	<u>1,243,242</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,586,876	9,145,983	9,030,697	115,286
Special	1,267,009	1,263,226	1,346,256	(83,030)
Vocational	278,066	277,190	224,570	52,620
Support Services:				
Pupils	632,644	659,634	633,844	25,790
Instructional Staff	655,355	667,934	575,292	92,642
Board of Education	84,758	84,758	77,484	7,274
Administration	1,368,685	1,401,069	1,311,133	89,936
Fiscal	616,401	615,401	619,059	(3,658)
Operation and Maintenance of Plant	2,103,531	2,024,181	1,806,888	217,293
Pupil Transportation	1,442,796	1,589,392	1,516,633	72,759
Non-Instructional Services	3,501	3,501	2,325	1,176
Extracurricular Activities	297,564	328,364	331,515	(3,151)
<i>Total Expenditures</i>	<u>17,337,186</u>	<u>18,060,633</u>	<u>17,475,696</u>	<u>584,937</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(578,223)</u>	<u>(1,432,880)</u>	<u>395,299</u>	<u>1,828,179</u>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	0	0	16,945	16,945
Refund of Prior Year Receipts	0	0	(10,475)	(10,475)
Advances In	0	0	32,348	32,348
Transfers In	43,917	45,217	0	(45,217)
Advances Out	0	0	(47,650)	(47,650)
Transfers Out	(43,917)	(44,670)	(6,173)	38,497
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>547</u>	<u>(15,005)</u>	<u>(15,552)</u>
<i>Net Change in Fund Balance</i>	<u>(578,223)</u>	<u>(1,432,333)</u>	<u>380,294</u>	<u>1,812,627</u>
<i>Fund Balance Beginning of Year</i>	2,716,604	2,716,604	2,716,604	0
Prior Year Encumbrances Appropriated	<u>384,280</u>	<u>384,280</u>	<u>384,280</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,522,661</u></u>	<u><u>\$1,668,551</u></u>	<u><u>\$3,481,178</u></u>	<u><u>\$1,812,627</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2003*

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Assets</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$105,343	\$116,013
Inventory Held for Resale	10,682	0
Materials and Supplies Inventory	7,807	0
Intergovernmental Receivable	25,148	0
Prepaid Items	3,290	0
<i>Total Current Assets</i>	<u>152,270</u>	<u>116,013</u>
Noncurrent Assets:		
Depreciable Capital Assets, net	59,459	0
<i>Total Assets</i>	<u>211,729</u>	<u>116,013</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts Payable	1,223	0
Accrued Wages and Benefits	45,192	0
Intergovernmental Payable	25,484	0
Claims Payable	0	71,365
<i>Total Current Liabilities</i>	<u>71,899</u>	<u>71,365</u>
Long-term Liabilities:		
Sick Leave Benefits Payable	14,013	0
<i>Total Liabilities</i>	<u>85,912</u>	<u>71,365</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	59,459	0
Unrestricted	66,358	44,648
<i>Total Net Assets</i>	<u><u>\$125,817</u></u>	<u><u>\$44,648</u></u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2003*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Operating Revenues</b>		
Sales	\$477,710	\$0
Charges for Services	0	611,172
<i>Total Operating Revenues</i>	<u>477,710</u>	<u>611,172</u>
<b>Operating Expenses</b>		
Salaries	247,254	0
Fringe Benefits	113,803	0
Purchased Services	14,696	9,701
Materials and Supplies	56,511	0
Cost of Sales	275,604	0
Depreciation	6,403	0
Claims	0	646,135
<i>Total Operating Expenses</i>	<u>714,271</u>	<u>655,836</u>
<i>Operating Loss</i>	<u>(236,561)</u>	<u>(44,664)</u>
<b>Non-Operating Revenues</b>		
Federal Donated Commodities	60,673	0
Interest	494	0
Federal and State Subsidies	194,069	0
<i>Total Non-Operating Revenues</i>	<u>255,236</u>	<u>0</u>
<i>Net Change in Net Assets</i>	18,675	(44,664)
<i>Net Assets at Beginning of Year - Restated Note 3</i>	<u>107,142</u>	<u>89,312</u>
<i>Net Assets at End of Year</i>	<u><u>\$125,817</u></u>	<u><u>\$44,648</u></u>

See accompanying notes to the basic financial statements



**Warren Local School District, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$477,809	\$0
Cash Received from Quasi-External Transactions with Other Funds	0	611,172
Cash Payments to Suppliers for Goods and Services	(285,373)	(9,701)
Cash Payments for Employee Services	(235,589)	0
Cash Payments for Employee Benefits	(112,322)	0
Cash Payments for Claims	0	(640,966)
Net Cash Used for Operating Activities	(155,475)	(39,495)
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating Grants Received	189,752	0
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments for Capital Acquisitions	(11,845)	0
<b>Cash Flows from Investing Activities</b>		
Interest	494	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	22,926	(39,495)
<i>Cash and Cash Equivalents at Beginning of Year</i>	82,417	155,508
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$105,343</u>	<u>\$116,013</u>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>		
Operating Loss	(\$236,561)	(\$44,664)
Depreciation	6,403	0
Donated Commodities Received During Year	60,673	0
Changes in Assets and Liabilities:		
Decrease in Due from Other Funds	99	0
Decrease in Inventory Held for Resale	1,535	0
Increase in Materials and Supplies Inventory	(560)	0
Increase in Prepaid Items	(3,290)	0
Decrease in Accounts Payable	(210)	0
Increase in Accrued Wages and Benefits Payable	8,611	0
Increase in Sick Leave Benefits Payable	5,578	0
Increase in Intergovernmental Payable	2,247	0
Increase in Claims Payable	0	5,169
Net Cash Used for Operating Activities	<u>(\$155,475)</u>	<u>(\$39,495)</u>

Non-Cash Non-Capital Financing Transactions: During fiscal year 2003, the Food Service Enterprise Fund received \$60,673 in donated commodities.

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Fund*  
*June 30, 2003*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$19,001</u>
<b>Liabilities</b>	
Due to Students	<u>\$19,001</u>

See accompanying notes to the basic financial statements

**Warren Local School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2003*

	Private Purpose Trust
	Tracy Scholarship
<b>Additions</b>	
Gifts and Contributions	\$1,500
<b>Deductions</b>	
Scholarships Awarded	1,500
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	0
<i>Net Assets End of Year</i>	\$0

See accompanying notes to the basic financial statements

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and federal agencies. This Board of Education controls the School District's nine instructional/support facilities staffed by 99 classified employees and 189 certified personnel, who provide services to 2,646 students and other community members.

#### *Reporting Entity*

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

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

The School District participates in four jointly governed organizations and one insurance purchasing pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative, the Washington County Career Center, the Coalition of Rural and Appalachian Schools, the South Eastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

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

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

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

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

### **B. Fund Accounting**

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

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

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

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

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

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

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

### ***C. Measurement Focus***

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

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

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

The private purpose trust fund is reported using a flow of economic resources measurement focus.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

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

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

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

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

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis, expenses are recognized at the time they are incurred.

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

During fiscal year 2003, investments consisted of federal home loan bank notes, federal home loan mortgage corporation notes, federal national mortgage association notes, federal home loan mortgage corporation discount notes, and federal nation mortgage association discount notes which are reported at fair value based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the Permanent Improvement Capital Projects Fund during fiscal year 2003 amounted to \$115,229, which includes \$89,110 assigned from other School District funds.

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

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

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

***G. Inventory***

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

***H. Capital Assets***

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



**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

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

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

***I. Interfund Balances***

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

***J. Restricted Assets***

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include unexpended revenues restricted for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks and other instructional material. See Note 19 for additional information regarding set-asides.

***K. Compensated Absences***

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

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

***M. Interfund Activity***

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

***N. Fund Balance Reserves***

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

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

***O. Net Assets***

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

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

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

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

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

***R. Estimates***

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

***S. Budgetary Process***

All funds, other than agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

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

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**Note 3 – Change in Accounting Principles and Correction of Errors**

For fiscal year 2003, the School District has implemented GASB Statement No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”, GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, GASB Statement No. 41, “Budgetary Comparison Schedules - Perspective Differences”, and GASB Interpretation No. 6 “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the general and each major special revenue fund. This Statement had no effect on the budgetary presentation of the School District.

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District’s programs between business-type activities, if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, and the conversion to the accrual basis of accounting.

***Restatement of Net Assets/Fund Balance*** The implementation of these changes had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$1,786,244	\$1,582,334	\$3,368,578
Interpretation 6	8,284	0	8,284
Adjusted Fund Balances, June 30, 2002	<u>\$1,794,528</u>	<u>\$1,582,334</u>	3,376,862
GASB 34 Adjustments:			
Capital Assets			4,720,080
Pension Obligation			(123,058)
Vacation Benefits Payable			(46,397)
Accrued Interest Payable			(4,410)
Long-term Liabilities			(1,564,918)
Internal Service Fund			89,312
Long-term (Deferred) Assets			<u>371,851</u>
Governmental Activities Net Assets, June 30, 2002			<u>\$6,819,322</u>

At June 30, 2002, the business type activities had the following restatements. These restatements had the following effect on net assets as it was previously reported.

	<u>Business-Type Activities</u>
Fund Equity, June 30, 2002	\$108,406
Capital Assets Overstatement	(75,692)
Accumulated Depreciation Overstatement	73,472
Compensated Absences Overstatement	956
Adjusted Net Assets, June 30, 2002	<u>\$107,142</u>

**Note 4 – Fund Deficits**

Fund balances at June 30, 2003, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Disadvantaged Pupil Impact Aide	\$152
Ohio Reads	4,295
IDEA-B	39,695
Title V	458

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance	
GAAP Basis	\$391,998
Net Adjustment for Revenue Accruals	210,988
Prepaid Items:	
Beginning of Fiscal Year	23,635
End of Fiscal Year	(143,532)
Net Adjustment for Expenditure Accruals	136,590
Advances In	32,348
Advances Out	(47,650)
Adjustment for Encumbrances	<u>(224,083)</u>
Budget Basis	<u><u>\$380,294</u></u>

**Note 6 - Deposits and Investments**

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

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

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

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

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

1. United States Treasury Notes, Bill, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Warren Local School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2003*

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

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

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

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$4,317,376 and the bank balance was \$4,554,457. Of the bank balance:

1. \$244,305 was covered by federal depository insurance; and
2. \$4,310,152 was collateralized with securities held by the pledging financial institution's trust department in the School District's name.

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

Investment	Category 3	Fair Value
Federal Home Loan Bank Notes	\$250,578	\$250,578
Federal Home Loan Mortgage Corporation Notes	151,078	151,078
Federal National Mortgage Association Notes	350,531	350,531
Federal Home Loan Mortgage Corporation Discount Notes	149,370	149,370
Federal National Mortgage Association Discount Notes	100,000	100,000
STAROhio	0	156,635
<b>Total</b>	<b>\$1,001,557</b>	<b>\$1,158,192</b>



**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$5,477,483	\$0
STAROhio	(156,635)	156,635
Agency Securities	(1,001,557)	1,001,557
Cash on Hand	(1,915)	0
GASB Statement 3	<u>\$4,317,376</u>	<u>\$1,158,192</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Washington and Athens Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

Accrued property taxes receivable includes real, personal property and public utility taxes which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue is deferred. The amount available as an advance at June 30, 2003, was \$168,525 and is recognized as revenue in the General Fund. The amount available as an advance at June 30, 2002, was \$162,832. \$123,207 was available to the General Fund and \$39,625 was available to the Bond Retirement Debt Service Fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$156,243,240	60.07%	\$158,069,700	62.30%
Public Utility Personal	26,457,840	10.17%	25,567,210	10.08%
Tangible Personal Property	77,387,590	29.75%	70,075,880	27.62%
Total	<u>\$260,088,670</u>	<u>100.00%</u>	<u>\$253,712,790</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation	\$35.30		\$35.90	

**Note 8 - Receivables**

Receivables at June 30, 2003, consisted of property taxes, accounts (rent, student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
IDEA-B	\$35,534
SIG	35,442
Title II-A	22,788
Title V-A	6,369
Title IV-A	4,490
EPA Grant	3,906
High Schools That Work	3,510
FEMA	1,499
Rollback and Homestead	1,029
Other	<u>2,046</u>
Total Governmental Activities	116,613
<b>Business-Type Activities</b>	
School Lunch Reimbursement	<u>25,148</u>
Total	<u><u>\$141,761</u></u>

**Note 9 - Interfund Activity**

***A. Transfers***

Transfers made during fiscal year 2003 were \$70, \$83, \$20, and \$6,000 to the Miscellaneous Federal Grants, Miscellaneous State Grants, Other Local Funds, and Athletic and Music Special Revenue Funds, respectively, from the General Fund. The transfers to the grant funds were to cover additional expenditures of the program not covered by the grant dollars. The transfer to the Athletic and Music Fund were to cover additional expenditures of the program not covered by fees. Also, the Math and Science Special Revenue Fund transferred \$3,905 of unspent grant dollars to the Title II-A Special Revenue Fund.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

**B. Balances**

Interfund balances at June 30, 2003, consisted of the following for services provided by the General Fund:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	<u>\$31,650</u>	<u>\$0</u>
Athletic and Music	0	1,643
Miscellaneous State Grants	0	3,750
IDEA-B	0	20,430
Title V	0	586
Title IV	0	741
Title II-A	0	4,500
Total Special Revenue Funds	<u>0</u>	<u>31,650</u>
 Total All Funds	 <u><u>\$31,650</u></u>	 <u><u>\$31,650</u></u>

**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Balance 6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/03</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	<u>\$191,702</u>	<u>\$41,000</u>	<u>\$0</u>	<u>\$232,702</u>
Capital assets being depreciated				
Buildings and improvements	8,311,799	87,852	0	8,399,651
Furniture and Equipment	1,457,130	332,143	(24,820)	1,764,453
Vehicles	<u>2,030,834</u>	<u>279,300</u>	<u>0</u>	<u>2,310,134</u>
Total capital assets being depreciated	<u>11,799,763</u>	<u>699,295</u>	<u>(24,820)</u>	<u>12,474,238</u>
Accumulated depreciation				
Buildings and improvements	(5,023,091)	(118,218)	0	(5,141,309)
Furniture, fixtures and equipment	(1,212,699)	(35,890)	24,820	(1,223,769)
Vehicles	<u>(1,035,595)</u>	<u>(127,965)</u>	<u>0</u>	<u>(1,163,560)</u>
Total accumulated depreciation	<u>(7,271,385)</u>	<u>(282,073) *</u>	<u>24,820</u>	<u>(7,528,638)</u>
Capital assets being depreciated, net	<u>4,528,378</u>	<u>417,222</u>	<u>0</u>	<u>4,945,600</u>
Governmental Activities capital assets, net	<u><u>\$4,720,080</u></u>	<u><u>\$458,222</u></u>	<u><u>\$0</u></u>	<u><u>\$5,178,302</u></u>

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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	<u>Balance 6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/03</u>
Business-Type Activities:				
Capital assets being depreciated				
Furniture and Fixtures	\$262,686	\$11,845	\$0	\$274,531
Less Accumulated Depreciation	<u>(208,669)</u>	<u>(6,403)</u>	<u>0</u>	<u>(215,072)</u>
Business-Type Activities capital assets, net	<u>\$54,017</u>	<u>\$5,442</u>	<u>\$0</u>	<u>\$59,459</u>

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

Instruction:	
Regular	\$73,332
Special Instruction	9,125
Vocational	1,019
Support Services:	
Pupils	3,851
Instructional Staff	4,973
Administration	9,917
Fiscal	362
Operation and Maintenance of Plant	16,610
Pupil Transportation	130,141
Extracurricular Activities	27,168
Operation of Non-Instructional Services	<u>5,575</u>
Total Depreciation Expense	<u>\$282,073</u>

**Note 11 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Utica National Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$2,500 deductible.

Professional and general liability is protected by the Utica National Insurance Company with a \$1,000,000 single occurrence limit with a \$5,000,000 aggregate and no deductible. Property damage is on a replacement cost basis for a blanket amount of \$35,408,900 on buildings and contents. Vehicles are covered by Nationwide Insurance Company at original cost of \$2,310,134 and with a \$1,000 deductible for comprehensive and a \$1,000 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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***B. Worker's Compensation***

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

***C. Employee Medical Benefits***

Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc, the third party administrator, reviews and processes the claims which the School District then pays. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$71,365 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$63,000	\$566,128	\$562,932	\$66,196
2003	66,196	646,135	640,966	71,365

**Note 12 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per fiscal year, depending upon length of service. No more than two weeks of vacation is permitted to be carried forward and should be used in the fiscal year following accrual. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 215 days. Upon retirement, certificated employees receive payments for 43.75% of the total sick leave accumulated. Classified employees, upon retirement, receive payment for one-fourth of the total sick leave accumulation.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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### ***B. Insurance***

The School District provides health and major medical insurance through Anthem Blue Cross/Blue Shield for all eligible employees. Employees can choose either a PPO (Preferred Provider Organization) Plan or a POS (Point of Service) Plan. For the PPO Plan, the School District pays monthly premiums of up to \$631.30 for family coverage and up to \$235.86 for individual coverage. For the POS Plan, the School District pays monthly premiums of up to \$598.84 for family coverage and up to \$223.73 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries.

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

### **Note 13 - Defined Benefit Pension Plans**

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

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001, were \$204,856, \$130,980, and \$67,581, respectively; 54.8 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

## Warren Local School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001, were \$1,042,039, \$796,349, and \$436,285, respectively; 84.9 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$3,443 made by the School District and \$10,574 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2003, four members of the Board of Education elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

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



## **Warren Local School District, Ohio**

### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003*

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All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$80,157 for fiscal year 2003.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits during the 2003 fiscal year equaled \$192,334.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), 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 currently receiving health care benefits.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

**Note 15 - Long Term Obligations**

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

	Principal Outstanding 6/30/02	Additions	Reductions	Principal Outstanding 6/30/03	Amounts Due in One Year
<b>Governmental Activities</b>					
June 1, 2000, \$495,000					
School Bus Bonds - 5.55%-6.1%	\$315,000	\$0	\$100,000	\$215,000	\$105,000
1994 \$580,000 Energy Conservation Notes - 4.95%	70,000	0	70,000	0	0
Tax Refund Payable	10,475	0	10,475	0	0
Sick Leave Benefits	1,169,443	247,930	88,653	1,328,720	53,360
Total Governmental Activities	<u>\$1,564,918</u>	<u>\$247,930</u>	<u>\$269,128</u>	<u>\$1,543,720</u>	<u>\$158,360</u>
<b>Business-Type Activity</b>					
Sick Leave Benefits	<u>\$8,435</u>	<u>\$5,770</u>	<u>\$192</u>	<u>\$14,013</u>	<u>\$0</u>

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

The energy conservation notes were issued for the purpose of installing energy conservation improvements for the School District, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The debt will be retired through reductions in energy consumption and cost savings attributed to the installation of the energy conservation improvements. The general fund allocated tax revenues to the bond retirement debt service fund to meet current fiscal year obligations.

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

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

The overall debt margin of the School District as of June 30, 2003, was \$22,834,151, with an unvoted debt margin of \$253,713. Principal and interest requirements to retire the general obligation bus bonds outstanding at June 30, 2003, are as follows:

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$105,000	\$12,695	\$117,695
2005	<u>110,000</u>	<u>6,710</u>	<u>116,710</u>
Total	<u>\$215,000</u>	<u>\$19,405</u>	<u>\$234,405</u>

**Note 16 - Jointly Governed Organizations**

***A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)***

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2003, the School District paid \$69,020 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

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

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

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various in-service for school district administrative personnel; gathering of data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$345 for fiscal year 2003.

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

SEOSERRC is a special education regional resource center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, and representatives of county boards of MR/DD, Ohio University, and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. During fiscal year 2003, the School District paid \$6,332 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

**Note 17 - Insurance Purchasing Pool**

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

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

**Note 18 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

***B. Litigation***

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

**Note 19 - Set asides**

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

**Warren Local School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2003*

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balanced as of June 30, 2002	\$0	\$1,404
Current Year Set-aside Requirement	358,585	358,585
Qualifying Disbursements	(951,678)	(264,980)
Total	<u>(\$593,093)</u>	<u>\$95,009</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$95,009</u>

**Note 20 – State School Funding Decision**

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

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

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

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**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Board of Education  
Warren Local School District  
Vincent, Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated February 2, 2004, wherein we noted the District adopted Government Accounting Standards Board Statements 34,37,38,41 and Interpretation 6. 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 Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinions on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of Warren Local School District in a separate letter dated February 2, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Warren Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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, which we have reported to management of the District in a separate letter dated February 2, 2004.

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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 2, 2004

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Board of Education  
Warren Local School District  
Vincent, Ohio

**Compliance**

We have audited the compliance of Warren Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. Warren Local School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Warren Local School District management. Our responsibility is to express an opinion on Warren Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Warren Local School District's compliance with those requirements.

In our opinion, the Warren Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

**Internal Control Over Compliance**

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

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



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

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
February 2, 2004

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>						
Pass through Ohio Department of Education						
Nutrition Cluster						
National School Breakfast Program	n/a	10.553	\$ 9,954	\$ -	\$ 9,954	\$ -
National School Lunch Program	n/a	10.555	179,798	-	179,798	-
Food Distribution Program	n/a	10.550	-	60,673	-	60,673
Total Nutrition Cluster			189,752	60,673	189,752	60,673
<b>Total U.S. Department of Agriculture</b>			189,752	60,673	189,752	60,673
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>						
Direct						
Emergency Management Performance Grant		97.042	1,499	-	1,499	-
<b>Total U.S. Department of Homeland Security</b>			1,499	-	1,499	-
<b>U.S. DEPARTMENT OF EDUCATION:</b>						
Pass through Ohio Department of Education						
Title I Educationally Deprived Children	050500C1S103	84.010	297,062	-	289,289	-
			297,062	-	289,289	-
Title VI-B Special Education Assistance for handicapped Children	0505006BSF04P 0505006BSF03P 0505006BSF02P 0505006BSX02P	84.027	-	-	430	-
			225,187	-	244,411	-
			1,440	-	9,192	-
			23,880	-	35,205	-
			250,507	-	289,238	-
Drug Free Schools Grant	050500DRS103 050500DRS102	84.186	8,281	-	9,022	-
			-	-	2,064	-
			8,281	-	11,086	-
Eisenhower Professional Dev. Grant	050500MSS102	84.281	(3,905)	-	11,007	-
			(3,905)	-	11,007	-
Innovative Education Program Strategies	050500C2S103 050500C2S102	84.298	8,483	-	8,941	-
			522	-	1,861	-
			9,005	-	10,802	-
Title VI-R Class Size Reduction	050500CRS102	84.340	1,413	-	5,275	-
			1,413	-	5,275	-
Technology Literacy Challenge Program	050500TJS103	84.318	7,834	-	7,547	-
			7,834	-	7,547	-
Special Education State Prog. Imp. Grant	n/a	84.323	53,162	-	42,764	-
			53,162	-	42,764	-
Advanced Placement Program	050500AVS102	84.330	147	-	147	-
			147	-	147	-
School Renovation Grant	050500ATS302	84.352A	5,007	-	6,026	-
			5,007	-	6,026	-
Improving Teacher Quality State Grant	050500TRS103	84.367	89,833	-	94,032	-
			89,833	-	94,032	-
<b>Total U.S. Department of Education</b>			718,346	-	767,213	-
<b>Total Federal Awards Expenditures</b>			\$ 909,597	\$ 60,673	\$ 958,464	\$ 60,673

See notes to Schedule of Federal Awards Expenditures.

**WARREN LOCAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

NOTES A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTES B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with the State Grants. It is assumed that federal monies are expended first.

**WARREN LOCAL SCHOOL DISTRICT  
WASHINGTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION 505**

**1. Summary of Auditor's Results**

(d)(1)(I)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	NO
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
(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 section. 510?	NO
(d)(1)(vii)	Major Programs:	Title 1; CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	Type A: >\$300,000; Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

NONE

**3. Findings and Questioned Costs for Federal Awards**

NONE



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**WARREN LOCAL SCHOOL DISTRICT**

**WASHINGTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 23, 2004**