



Mary Taylor, CPA
Auditor of State

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	13
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	15
Statement of Fund Net Assets – Cash Basis – Proprietary Funds	16
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets – Cash Basis – Proprietary Funds	17
Statement of Cash Flows – Cash Basis – Proprietary Funds.....	18
Statement of Fiduciary Net Assets – Cash Basis – Agency Fund	19
Statement of Changes in Fiduciary Net Assets – Cash Basis – Private Purpose Trust Fund	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	37
Notes to the Schedule of Federal Awards Receipts and Expenditures	38
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	41
Schedule of Findings and Questioned Costs – <i>OMB Circular A-133 § .505</i>	43
Schedule of Prior Audit Findings – <i>OMB Circular A-133 § 315 (b)</i>	46

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren Local School District, Washington County, Ohio, as of June 30, 2006, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As discussed in Note 3 to the basic financial statements, the School District changed their basis of accounting from modified cash to cash basis.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 12, 2007

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

This 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, 2006, within the limitations of the School District's cash basis of accounting. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2006 are as follows:

- In total, net assets decreased \$580,928. Net assets of governmental activities decreased \$592,500, while net assets of the business-type activity increased \$11,572 from 2005.
- General receipts accounted for \$17,561,135 in receipts or 83% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,285,833 or 20% of total revenues of \$21,848,567.
- Total program expenses were \$22,429,495; \$21,682,449 in governmental activities and \$747,046 in the business-type activity.

Using this Annual Financial Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during 2006, within the limitations of cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and the business-type activity of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each governmental program and the business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well, such as the School District's tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the School District into two types of activities:

Governmental Activities – Most of the School District's basic services are reported here, including athletics and music. State and federal grants, state foundation receipts, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type Activity – The School District has one business-type activity, the food service operations. It is financed by lunchroom sales and state and federal school breakfast/lunch programs.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate the money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into three categories: governmental, proprietary, and fiduciary.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
 Unaudited

Governmental Funds Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major funds include the General Fund and Permanent Improvement Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds When the School District charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public (the students), the activity is reported as an enterprise fund. The School District has one enterprise fund, the Food Service Fund. When the services are provided to the employees of the School District, the services are reported as an internal service fund. The School District has one internal service fund to account for employee dental and prescription drug claims.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs. The School District has one private purpose trust fund and one agency fund.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005 on a cash basis:

Table 1
Net Assets

	Governmental Activities		Business-Type Activity		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$4,064,982	\$4,657,482	\$182,594	\$171,022	\$4,247,576	\$4,828,504
Net Assets						
Restricted	\$67,011	\$49,036	\$0	\$0	\$67,011	\$49,036
Unrestricted	3,997,971	4,608,446	182,594	171,022	4,180,565	4,779,468
<i>Total Net Assets</i>	\$4,064,982	\$4,657,482	\$182,594	\$171,022	\$4,247,576	\$4,828,504

As mentioned previously, net assets of governmental activities decreased \$592,500, which represents a 13% decrease from 2005. The primary reasons contributing to the decrease in cash balances are as follows:

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

An increase in State Foundation revenues of \$74,000; gains in Total Formula Aid and Parity Aid were offset by a reduction in Special Education and Excess Cost Supplement revenues.

An increase in Property Tax Allocation of \$153,000 primarily due to the Tangible Personal Property Tax offset payment which was received to reduce the tangible personal property tax revenue reduction.

An increase in other revenue categories of \$107,000 primarily due to open enrollment students coming into the School District, which increased by approximately 15 over the prior year.

The above revenue increases were off set by the reduction in Tangible Personal Property Tax due to House Bill 66. This decrease was approximately \$430,000.

There was also a decrease in real estate property tax revenues of nearly \$202,000, due to the decrease in property values.

The small increase in revenues was offset by increases in salaries averaging 3.3% and fringe benefits for the fiscal year based on current negotiated agreements. Also increases in Purchased Services such as gas and electricity and supplies such as fuel cost and parts for buses contributed to an over all increase in cost averaging approximately 2%.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006 compared to June 30, 2005.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities <u>2006</u>	Business-type Activity <u>2006</u>	Governmental Activities <u>2005</u>	Business-type Activity <u>2005</u>
Receipts				
Program Cash Receipts:				
Charges for Services	\$1,349,646	\$499,949	\$1,247,769	\$491,483
Operating Grants, Contributions and Interest	2,159,841	257,070	2,384,452	229,981
Capital Grants and Contributions	19,327	0	34,398	0
Total Program Cash Receipts	<u>3,528,814</u>	<u>757,019</u>	<u>3,666,619</u>	<u>721,464</u>
General Receipts:				
Property Taxes	7,420,496	0	7,622,206	0
Grants and Entitlements	9,903,374	0	9,577,137	0
Investment Earnings	175,978	1,599	120,921	1,393
Miscellaneous	61,287	0	84,212	0
Total General Receipts	<u>17,561,135</u>	<u>1,599</u>	<u>17,404,476</u>	<u>1,393</u>
Total Receipts	<u>21,089,949</u>	<u>758,618</u>	<u>21,071,095</u>	<u>722,857</u>
Program Disbursements				
Instruction:				
Regular	10,290,815	0	10,003,455	0
Special	2,913,422	0	2,769,757	0
Vocational	197,323	0	193,321	0
Intervention	89,341	0	0	0
Support Services:				
Pupils	915,867	0	818,605	0
Instructional Staff	908,167	0	970,042	0
Board of Education	82,361	0	70,660	0
Administration	1,771,247	0	1,654,899	0
Fiscal	563,192	0	612,774	0
Business	5,202	0	5,177	0
Operation and Maintenance of Plant	1,901,689	0	1,743,628	0
Pupil Transportation	1,497,155	0	1,497,585	0
Central	12,987	0	8,521	0
Operation of Non-Instructional Services	28,181	0	28,932	0
Extracurricular Activities	501,000	0	560,961	0
Capital Outlay	4,500	0	6,710	0
Food Service	0	747,046	0	690,319
Restatement of Net Assets - See Note 3	0	0	5,467,361	51,933
Total Disbursements	<u>21,682,449</u>	<u>747,046</u>	<u>26,412,388</u>	<u>742,252</u>
Change in Net Assets	(592,500)	11,572	(5,341,293)	(19,395)
Net Assets Beginning of Fiscal Year	4,657,482	171,022	9,998,775	190,417
Net Assets End of Fiscal Year	<u>\$4,064,982</u>	<u>\$182,594</u>	<u>\$4,657,482</u>	<u>\$171,022</u>

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
 Unaudited

Governmental Activities:

Program receipts represent 17 percent of total receipts. They are primarily composed of Operating Grants, Contributions and Interest, which are Federal and State Grants. The Charges for Services are composed of fees for summer school, school supplies, and approximately \$1,042,885 in Open Enrollment fees. The remaining 83 percent is primarily from Grants and Entitlements (47 percent of total revenue) which is the unrestricted state foundation formula payment from the State.

The expenses are composed of 62 percent for instruction, 12 percent for support services staff and administration, and 16 percent for expenses of plant operation and maintenance and pupil transportation.

Table 3
 Governmental Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program Expenses				
Instruction:				
Regular	\$10,290,815	\$8,539,000	\$10,003,455	\$8,423,286
Special	2,913,422	1,947,163	2,769,757	1,574,388
Vocational	197,323	167,885	193,321	164,316
Intervention	89,341	89,341	0	0
Support Services:				
Pupils	915,867	783,555	818,605	747,232
Instructional Staff	908,167	708,602	970,042	776,277
Board of Education	82,361	82,361	70,660	70,660
Administration	1,771,247	1,586,380	1,654,899	1,357,360
Fiscal	563,192	559,098	612,774	603,606
Business	5,202	5,202	5,177	5,177
Operation and Maintenance of Plant	1,901,689	1,898,686	1,743,628	1,735,364
Pupil Transportation	1,497,155	1,414,947	1,497,585	1,390,476
Central	12,987	12,987	8,521	8,521
Operation of Non-Instructional Services	28,181	4,516	28,932	11,618
Extracurricular Activities	501,000	349,412	560,961	403,417
Interest and Fiscal Charges	4,500	4,500	6,710	6,710
Total	<u>\$21,682,449</u>	<u>\$18,153,635</u>	<u>\$20,945,027</u>	<u>\$17,278,408</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2006, approximately 77% 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, 2006
Unaudited

Business-type Activity:

Program receipts for this activity consist of food service sales and state and federal grants for lunchroom programs. The food service activity has operated effectively enough to avoid operating transfers from the governmental activities.

The School District Funds

The School District's major funds (General Fund and Permanent Improvement) are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$21,089,949 and disbursements of \$21,641,570. The General Fund had a decrease in fund balance of \$732,903, while the Permanent Improvement had an increase of \$173,862.

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 2006, 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 receipts were \$19,189,879, above final estimates of \$18,916,284. The difference was due to conservative estimates. Final estimated receipts were below original estimates of \$19,382,464. Disbursements of \$20,372,627 were lower than final appropriations of \$20,871,517. The General Fund's balance at fiscal year end was \$1,966,940.

Capital Assets and Debt Administration

Capital Assets

Although the School District tracks their capital assets for internal purposes, these assets are not presented on the fiscal year 2006 financial statements.

Debt

The School District has no outstanding debt at June 30, 2006.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Current Issues

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 2004. This reappraisal increased the Schools District's property valuation \$17 million dollars. By June of 2005, the State Legislature had completed the biennial budget process and changed significant aspects of the school funding formula. These changes included a program reduction of the personal property tax base for school districts, a continuing historical trend in maintaining a 2.2 percent increase in the foundation formula, and reductions or containment of cost in previously funded items such as parity aid and transportation.

This continued attempt to control the inflationary raise in the school foundation formula and shifting of the tax base may contain the amount of payment the Legislature has to contribute to the school districts of the State. It will not contain the rising price of fuel for the buses, power and heating costs, the repair and maintenance of our aging facilities, the rising cost of benefits, and other contractual items. Over the last ten years, the School District has had only four years where expenditures exceeded revenue (deficit spending), the last three fiscal years 2004, 2005, and 2006 being three of the four. It is the stated goal of the Board of Education to assure the School District operates such that its one-year budget and five-year forecast maintain a cash surplus equal to or greater than two months operating expenses and to use a ratio of 80% to the total annual budget/total annual revenue as a benchmark for determining the fiscal "health" of the School District. Maintaining these goals with the influence of the previously listed budgetary factors will become increasingly difficult.

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

Contacting the School District's Financial Management

This financial report is designed to provide our 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.

Warren Local School District, Ohio

Statement of Net Assets - Cash Basis

June 30, 2006

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,062,510	\$182,594	\$4,245,104
Cash and Cash Equivalents in Segregated Accounts	2,472	0	2,472
<i>Total Assets</i>	<u>\$4,064,982</u>	<u>\$182,594</u>	<u>\$4,247,576</u>
Net Assets			
Restricted for:			
Bus Purchase	\$20,096	\$0	\$20,096
Other Purposes	46,915	0	46,915
Unrestricted	<u>3,997,971</u>	<u>182,594</u>	<u>4,180,565</u>
<i>Total Net Assets</i>	<u>\$4,064,982</u>	<u>\$182,594</u>	<u>\$4,247,576</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2006

	Program Cash Receipts				Net (Disbursements)Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities							
Instruction:							
Regular	\$10,290,815	\$1,177,401	\$574,414	\$0	(\$8,539,000)	\$0	(\$8,539,000)
Special	2,913,422	0	966,259	0	(1,947,163)	0	(1,947,163)
Vocational	197,323	0	29,438	0	(167,885)	0	(167,885)
Intervention	89,341	0	0	0	(89,341)	0	(89,341)
Support Services:							
Pupils	915,867	0	132,312	0	(783,555)	0	(783,555)
Instructional Staff	908,167	0	199,565	0	(708,602)	0	(708,602)
Board of Education	82,361	0	0	0	(82,361)	0	(82,361)
Administration	1,771,247	49,406	135,461	0	(1,586,380)	0	(1,586,380)
Fiscal	563,192	0	4,094	0	(559,098)	0	(559,098)
Business	5,202	0	0	0	(5,202)	0	(5,202)
Operation and							
Maintenance of Plant	1,901,689	0	3,003	0	(1,898,686)	0	(1,898,686)
Pupil Transportation	1,497,155	0	62,881	19,327	(1,414,947)	0	(1,414,947)
Central	12,987	0	0	0	(12,987)	0	(12,987)
Operation of Non-Instructional							
Services	28,181	0	23,665	0	(4,516)	0	(4,516)
Extracurricular Activities	501,000	122,839	28,749	0	(349,412)	0	(349,412)
Capital Outlay	4,500	0	0	0	(4,500)	0	(4,500)
<i>Total Governmental Activities</i>	21,682,449	1,349,646	2,159,841	19,327	(18,153,635)	0	(18,153,635)
Business-Type Activity							
Food Service	747,046	499,949	257,070	0	0	9,973	9,973
<i>Totals</i>	<u>\$22,429,495</u>	<u>\$1,849,595</u>	<u>\$2,416,911</u>	<u>\$19,327</u>	<u>(18,153,635)</u>	<u>9,973</u>	<u>(18,143,662)</u>
General Receipts							
Property Taxes Levied for							
General Purposes							
					7,420,496	0	7,420,496
Grants and Entitlements not							
Restricted to Specific Programs							
					9,903,374	0	9,903,374
Investment Earnings							
					175,978	1,599	177,577
Miscellaneous							
					61,287	0	61,287
<i>Total General Receipts</i>					<u>17,561,135</u>	<u>1,599</u>	<u>17,562,734</u>
<i>Change in Net Assets</i>							
					(592,500)	11,572	(580,928)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>							
					<u>4,657,482</u>	<u>171,022</u>	<u>4,828,504</u>
<i>Net Assets End of Year</i>							
					<u>\$4,064,982</u>	<u>\$182,594</u>	<u>\$4,247,576</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,427,892	\$1,214,400	\$86,540	\$3,728,832
Cash in Segregated Accounts	0	0	2,472	2,472
Restricted Cash and Cash Equivalents	20,096	0	0	20,096
<i>Total Assets</i>	<u>\$2,447,988</u>	<u>\$1,214,400</u>	<u>\$89,012</u>	<u>\$3,751,400</u>
Fund Balances				
Reserved for Encumbrances	\$460,952	\$76,094	\$14,222	\$551,268
Reserved for Bus Purchases	20,096	0	0	20,096
Unreserved, Undesignated, Reported in:				
General Fund	1,966,940	0	0	1,966,940
Special Revenue Funds	0	0	74,790	74,790
Capital Projects Funds	0	1,138,306	0	1,138,306
<i>Total Fund Balances</i>	<u>\$2,447,988</u>	<u>\$1,214,400</u>	<u>\$89,012</u>	<u>3,751,400</u>

Amounts reported for governmental activities in the statement of net assets are different because:

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal fund are included in governmental activities in the statement of net assets.

313,582

Net Assets of Governmental Activities

\$4,064,982

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$7,420,496	\$0	\$0	\$7,420,496
Intergovernmental	10,549,138	0	1,495,655	12,044,793
Investment Earnings	5,455	170,523	226	176,204
Tuition and Fees	1,177,401	0	0	1,177,401
Extracurricular Activities	0	0	161,715	161,715
Gifts and Donations	0	0	48,053	48,053
Rent	8,177	0	0	8,177
Miscellaneous	29,212	7,839	16,059	53,110
<i>Total Receipts</i>	<u>19,189,879</u>	<u>178,362</u>	<u>1,721,708</u>	<u>21,089,949</u>
Disbursements				
Current:				
Instruction:				
Regular	9,689,270	0	581,952	10,271,222
Special	2,500,608	0	409,007	2,909,615
Vocational	193,014	0	3,999	197,013
Intervention	89,341	0	0	89,341
Support Services:				
Pupils	779,045	0	135,195	914,240
Instructional Staff	705,480	0	201,755	907,235
Board of Education	82,361	0	0	82,361
Administration	1,578,990	0	188,707	1,767,697
Fiscal	558,377	0	4,193	562,570
Business	5,202	0	0	5,202
Operation and Maintenance of Plant	1,895,349	0	3,076	1,898,425
Pupil Transportation	1,462,500	0	29,347	1,491,847
Central	12,987	0	0	12,987
Operation of Non-Instructional Services	2,265	0	24,206	26,471
Extracurricular Activities	336,790	0	164,054	500,844
Capital Outlay	0	4,500	0	4,500
<i>Total Disbursements</i>	<u>19,891,579</u>	<u>4,500</u>	<u>1,745,491</u>	<u>21,641,570</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(701,700)</u>	<u>173,862</u>	<u>(23,783)</u>	<u>(551,621)</u>
Other Financing Sources (Uses)				
Advances In	48,393	0	64,737	113,130
Advances Out	(64,737)	0	(48,393)	(113,130)
Transfers In	0	0	14,859	14,859
Transfers Out	(14,859)	0	0	(14,859)
<i>Total Other Financing Sources (Uses)</i>	<u>(31,203)</u>	<u>0</u>	<u>31,203</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(732,903)</u>	<u>173,862</u>	<u>7,420</u>	<u>(551,621)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,180,891</u>	<u>1,040,538</u>	<u>81,592</u>	<u>4,303,021</u>
<i>Fund Balances End of Year</i>	<u>\$2,447,988</u>	<u>\$1,214,400</u>	<u>\$89,012</u>	<u>\$3,751,400</u>

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

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 receipts are eliminated. The net receipts (disbursements) of the internal service fund is allocated among the governmental activities.

(40,879)

Change in Net Assets of Governmental Activities

(\$592,500)

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
*Statement of Cash Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$7,842,135	\$7,345,192	\$7,420,496	\$75,304
Intergovernmental	10,446,649	10,371,799	10,549,138	177,339
Investment Earnings	3,423	5,675	5,455	(220)
Tuition and Fees	1,080,004	1,157,677	1,177,401	19,724
Rent	2,575	7,567	8,177	610
Miscellaneous	7,678	28,374	29,212	838
<i>Total Receipts</i>	19,382,464	18,916,284	19,189,879	273,595
Disbursements				
Current:				
Instruction:				
Regular	10,226,443	10,062,858	9,804,905	257,953
Special	2,317,345	2,347,145	2,509,988	(162,843)
Vocational	202,496	202,496	193,596	8,900
Intervention	0	133,184	89,341	43,843
Support Services:				
Pupils	825,250	810,415	784,280	26,135
Instructional Staff	774,254	773,654	705,720	67,934
Board of Education	123,340	118,437	101,183	17,254
Administration	1,535,809	1,534,309	1,593,810	(59,501)
Fiscal	582,213	583,413	569,661	13,752
Business	5,404	5,404	5,202	202
Operation and Maintenance of Plant	2,206,020	2,187,901	1,988,920	198,981
Pupil Transportation	1,651,391	1,721,749	1,673,979	47,770
Central	11,295	11,295	12,987	(1,692)
Non-Instructional Services	4,065	4,065	2,920	1,145
Extracurricular Activities	375,192	375,192	336,135	39,057
<i>Total Disbursements</i>	20,840,517	20,871,517	20,372,627	498,890
<i>Excess of Receipts Under Disbursements</i>	(1,458,053)	(1,955,233)	(1,182,748)	772,485
Other Financing Sources (Uses)				
Advances In	48,000	0	48,393	48,393
Advances Out	(50,000)	(46,050)	(64,737)	(18,687)
Transfers In	19,100	0	0	0
Transfers Out	(10,000)	(13,950)	(14,859)	(909)
<i>Total Other Financing Sources (Uses)</i>	7,100	(60,000)	(31,203)	28,797
<i>Net Change in Fund Balance</i>	(1,450,953)	(2,015,233)	(1,213,951)	801,282
<i>Fund Balance Beginning of Year</i>	2,880,922	2,880,922	2,880,922	0
Prior Year Encumbrances Appropriated	299,969	299,969	299,969	0
<i>Fund Balance End of Year</i>	<u>\$1,729,938</u>	<u>\$1,165,658</u>	<u>\$1,966,940</u>	<u>\$801,282</u>

Warren Local School District, Ohio
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
June 30, 2006

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$182,594	\$313,582
Net Assets		
Unrestricted	\$182,594	\$313,582

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
*Statement of Cash Receipts, Disbursements and
Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2006*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
Operating Receipts		
Sales	\$499,949	\$0
Charges for Services	0	739,217
<i>Total Operating Receipts</i>	<u>499,949</u>	<u>739,217</u>
Operating Disbursements		
Salaries	269,286	0
Fringe Benefits	126,544	0
Purchased Services	6,386	15,407
Materials and Supplies	318,241	0
Capital Outlay	26,589	0
Claims	0	764,689
<i>Total Operating Disbursements</i>	<u>747,046</u>	<u>780,096</u>
<i>Operating Loss</i>	<u>(247,097)</u>	<u>(40,879)</u>
Non-Operating Receipts		
Interest	1,599	0
Federal and State Subsidies	257,070	0
<i>Total Non-Operating Receipts</i>	<u>258,669</u>	<u>0</u>
<i>Net Change in Net Assets</i>	11,572	(40,879)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>171,022</u>	<u>354,461</u>
<i>Net Assets End of Year</i>	<u><u>\$182,594</u></u>	<u><u>\$313,582</u></u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Cash Flows - Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$499,949	\$0
Cash Received from Quasi-External Transactions with Other Funds	0	739,217
Cash Payments to Suppliers for Goods and Services	(351,216)	(15,407)
Cash Payments for Employee Services	(269,286)	0
Cash Payments for Employee Benefits	(126,544)	0
Cash Payments for Claims	0	(764,689)
Net Cash Used for Operating Activities	(247,097)	(40,879)
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	257,070	0
Cash Flows from Investing Activities		
Interest	1,599	0
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	11,572	(40,879)
<i>Cash and Cash Equivalents Beginning of Year</i>	171,022	354,461
<i>Cash and Cash Equivalents End of Year</i>	\$182,594	\$313,582
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating Loss	(\$247,097)	(\$40,879)
Net Cash Used for Operating Activities	(\$247,097)	(\$40,879)

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$24,968</u>
Net Assets	
Restricted for Students	<u>\$24,968</u>

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Changes in Fiduciary Net Assets - Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
	Tracy Scholarship
Additions	
Gifts and Contributions	\$1,500
Deductions	
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, 2006

Note 1 - Description of the School District and Reporting Entity

Warren Local School District, Washington County (the 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 Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by State and/or local guidelines. The School District is staffed by 189 certificated employees and 99 classified employees who provide services to 2,580 students. The School District currently operates nine instructional/support facilities.

Reporting Entity

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

The School District participates in four jointly governed organizations and an 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 Program. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The School District does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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” receipts and disbursements. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services, if any.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

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 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. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Permanent Improvement Fund This fund accounts for the acquisition, construction, or improvement of capital facilities, other than those financed by the enterprise fund.

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

Proprietary Fund The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds.

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 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 not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only agency fund accounts for student activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

E. Cash, Cash Equivalents, and Investments

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

Investments of the School District's cash management pool and investments with an original maturity 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 that were not purchased from the pool are reported as investments.

During 2006, the School District invested in STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the Permanent Improvement Capital Projects Fund during fiscal year 2006 was \$170,523, including \$132,047 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets include unexpended grants restricted for the purchase of buses.

G. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from cash disbursements in the governmental funds. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

M. Net 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 resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide statement of net assets reports \$67,011 of restricted net assets, none of which is restricted by enabling legislation.

N. Fund Balance Reserves

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and school bus purchases.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

O. Interfund Transactions

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

Note 3 – Change in Accounting Policy and Restatement of Fund Equity

A. Change in Accounting Policy

For fiscal year 2006, the School District ceased to report capital assets. Therefore, they are not reported on the financial statements.

B. Restatement of Fund Equity

The effects on net assets of governmental and business-type activities are presented.

	Governmental Activities	Business-Type Activity
Net Assets June 30, 2005	\$10,124,842	\$222,955
Eliminate Nondepreciable Capital Assets	(239,197)	0
Eliminate Depreciable Capital Assets, net	(5,228,163)	(51,933)
Adjusted Net Assets June 30, 2005	\$4,657,482	\$171,022

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

Net Change in Fund Balance	
Budget Basis	(\$1,213,951)
Encumbrances	481,048
Cash Basis	(\$732,903)

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bank acceptances if training requirements have been met.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$667,825 of the School District's bank balance of \$973,968 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution and the pledging financial institution's trust department or agent.

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

Investments As of June 30, 2006, the School District had monies invested in STAROhio. This investment is in an internal investment pool. The fair value of the investment in STAROhio is \$3,730,492 and has an average maturity of 34.77 days at fiscal year end.

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 6 - Property Taxes

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. 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 advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$179,660,320	65%	\$181,439,570	71%
Public Utility Personal	25,969,900	10%	25,236,210	10%
Tangible Personal Property	68,895,870	25%	47,528,500	19%
	<u>\$274,526,090</u>	<u>100%</u>	<u>\$254,204,280</u>	<u>100%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$35.90		\$35.90	

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 7 - Interfund Balances

Unpaid advances at June 30, 2006, were as follows:

	Advances In	Advances Out
General Fund	\$0	\$64,737
Nonmajor Special Revenue Funds:		
State Grant Funds	16,139	0
Federal Grant Funds	48,598	0
Total Special Revenue Funds	64,737	0
Total All Funds	\$64,737	\$64,737

Note 8 - 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 2006, the School District contracted with Utica National Insurance Company for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$37,734,500 on buildings and contents. The policies include a \$5,000 deductible.

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

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

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve 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. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

C. Employee Dental and Prescription Benefits

Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc. and Express Scripts, the third party administrators, review and process the claims which the School District then pays. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$74,000 at June 30, 2006, is based on an estimate provided by the third party administrators and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be disclosed. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$73,407	\$752,709	\$756,116	\$70,000
2006	70,000	768,689	764,689	74,000

Note 9 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,300,158, \$1,207,019, and \$1,232,622 respectively; 81.49 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$13,669 made by the School District and \$16,090 made by the plan members.

B. 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, by calling (800)878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 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, 2006, 2005, and 2004 were \$280,336, \$289,058, and \$236,631 respectively; 39.95 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

Note 10 - 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-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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, 2006, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$100,012 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$132,211.

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 projected claims less premium contributions for the next year. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

Note 11 - Long-Term Debt

The School District has no outstanding debt at June 30, 2006. The School District's overall debt margin was \$18,801,544, with an unvoted debt margin of \$208,906 at June 30, 2006.

Note 12 - Set-Aside Calculations

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
	Reserve	Reserve
Set-aside Reserve Balance as of June 30, 2005	\$0	(\$79,064)
Current Year Set-Aside Requirement	396,036	396,036
Qualifying Disbursements	(547,586)	(422,637)
Total	(\$151,550)	(\$105,665)
 Set-aside Balance Carry Forward to Future Fiscal Years	 \$0	 (\$105,665)

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduced the set-aside requirements of future fiscal years.

Note 13 - Interfund Transfers

During the fiscal year, the General Fund transferred \$1,359, \$6,000, and \$7,500, respectively, to the Public School Support, Athletic, and State Grants Special Revenue Funds to reduce deficit cash balances.

Note 14 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2006, will not have a material adverse effect on the School District.

B. Litigation

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15 - 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 36 participants consisting of 32 school districts and 4 educational service centers. SEOVEC is governed by a governing board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. During fiscal year 2006, the School District paid \$81,157 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

The Washington County Career Center 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 at 21740 SR 676, Marietta, Ohio 45750.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$390 for fiscal year 2006.

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

SEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. SEOSERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, 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 2006, the School District paid \$9,853 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 16 - Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Program

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

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 47,064	\$	\$ 47,064
Child Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2005 05PU-2006	3,031 6,773		3,031 6,773	
Total School Breakfast Program			<u>9,804</u>	<u>0</u>	<u>9,804</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2005 LLP4-2006	62,053 176,271		62,053 176,271	
Total National School Lunch Program			<u>238,324</u>	<u>0</u>	<u>238,324</u>	<u>0</u>
Total Child Nutrition Cluster			<u>248,128</u>	<u>0</u>	<u>248,128</u>	<u>0</u>
Total United States Department of Agriculture			248,128	47,064	248,128	47,064
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2005 C1S1-2006	(798) 165,679		165,679	
Total Title I Grants to Local Educational Agencies			<u>164,881</u>	<u>0</u>	<u>165,679</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2005 6BSF-2006	11,228 543,204		11,228 543,204	
Total Special Education - Grants to States			<u>554,432</u>	<u>0</u>	<u>554,432</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2005 DRS1-2006	488 12,503		488 13,363	
Total Safe and Drug-Free Schools and Communities - State Grants			<u>12,991</u>	<u>0</u>	<u>13,851</u>	<u>0</u>
Twenty - First Century Community Learning Centers	84.287	T1S1-2006	446,084		477,460	
State Grants for Innovative Programs	84.298	C2S1-2005 C2S1-2006	(160) 7,306		9,333	
Total State Grants for Innovative Programs			<u>7,146</u>	<u>0</u>	<u>9,333</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2005 TJS1-2006	2,348 2,412		2,348 3,398	
Total Education Technology State Grants			<u>4,760</u>	<u>0</u>	<u>5,746</u>	<u>0</u>
Advanced Placement Program	84.330	AVS1-2001	1,200			
Improving Teacher Quality State Grants	84.367	TRS1-2005 TRS1-2006	4,929 113,375		4,929 119,097	0 0
Total Improving Teacher Quality State Grants			<u>118,304</u>	<u>0</u>	<u>124,026</u>	<u>0</u>
<i>Passed through South Eastern Ohio Special Education Regional Resource Center (SEO-SERRC):</i>						
Special Education - State Personnel Development	84.323	STS1-2005 STS1-2006	2,500 15,000		9,315 20,000	
Total Special Education - State Personnel Development			<u>17,500</u>	<u>0</u>	<u>29,315</u>	<u>0</u>
Total United States Department of Education			1,327,298	0	1,379,842	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - State Children's Insurance Program	93.767	N/A	108		108	
Medical Assistance Program	93.778	N/A	1,598		1,598	
Total United States Department of Health and Human Services			<u>1,706</u>	<u>0</u>	<u>1,706</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,577,132</u>	<u>\$ 47,064</u>	<u>\$ 1,629,676</u>	<u>\$ 47,064</u>

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

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS

During fiscal year 2006, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers is as follows:

CFDA Number	Program Title	Pass-Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1S1-2005	\$ 798	
84.010	Title I Grants to Local Educational Agencies	C1S1-2006		\$ 798
84.298	State Grants for Innovative Programs	C2S1-2005	160	
84.298	State Grants for Innovative Programs	C2S1-2006		160
84.367	Improving Teacher Quality State Grants	TRS1-2005	7,002	
84.367	Improving Teacher Quality State Grants	TRS1-2006		7,002
		Total	<u>\$ 7,960</u>	<u>\$ 7,960</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 12, 2007, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles which was changed from modified cash to cash basis. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2006-001. In a separate letter to the School District's management dated March 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Mary Taylor, CPA
Auditor of State

March 12, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Warren Local School District, Washington County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2006-002. In a separate letter to the School District's management dated March 12, 2007, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 12, 2007.

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



Mary Taylor, CPA
Auditor of State

March 12, 2007

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 117.38 (Continued)

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response: The Board of Education by resolution has directed the statements to be prepared on a cash basis in a manner as prescribed under Auditor of State Bulletin 2005-002. This was done to save on cost.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Period of Availability

Finding Number	2006-002
CFDA Title and Number	Special Education – Grants to States CFDA# 84.027
Federal Award Number / Year	6BSF-2006
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding and Questioned Costs

34 C.F.R. Section 80.23 provides that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

34 C.F.R. Section 76.707 indicates that when an obligation is made by the State or a subgrantee depends on the type of property and services that the obligation is for:

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Period of Availability (Continued)

IF AN OBLIGATION IS FOR --	THE OBLIGATION IS MADE --
(a) Acquisition of real or personal property.	On the date on which the State or subgrantee makes a binding written commitment to acquire the property.
(b) Personal services by an employee of the State or subgrantee.	When the services are performed.
(c) Personal services by a contractor who is not an employee of the State or subgrantee.	On the date on which the State or subgrantee makes a binding written commitment to obtain the services.
(d) Performance of work other than personal services.	On the date on which the State or subgrantee makes a binding written commitment to obtain the work.
(e) Public utility services.	When the State or subgrantee receives the services.
(f) Travel.	When the travel is taken.
(g) Rental of real or personal property.	When the State or subgrantee uses the property.
(h) A pre-agreement cost that was properly approved by the State under the applicable cost principles.	On the first day of the subgrant period.

The following period of availability errors were noted during testing of the fiscal year 2006 Special Education Idea, Part B grant funds:

- In June 2005, the School District established special cost center 9306 in Fund 516 for the fiscal year 2006 allocation. During June 2005, the School District expended \$2,697 from Fund 516-9306 and the Treasurer advanced \$2,697 from the General Fund to Fund 516-9306 to cover the negative fund balance. On July 12, 2005 the advance was repaid to the General Fund out of the fiscal year 2006 allocation;
- In July and August 2005, the School District paid the remaining fiscal year 2005 employee contract obligations and corresponding benefits out of the fiscal year 2006 allocation amounting to \$42,094;
- In July and August 2005, the School District paid fiscal year 2005 obligations for non-employee contractual services and supplies out of the fiscal year 2006 allocation amounting to \$6,199.

This resulted in a total of \$50,990 of fiscal year 2005 obligations expended from the fiscal year 2006 allocation. Therefore, we have identified \$50,990 of known questioned costs for the Special Education Idea, Part B grant.

We recommend the School District develop procedures to ensure obligations are paid within the period of availability for grant funds.

Officials' Response and Corrective Action Plan: The Treasurer and staff have been trained to review the cost and identify those items which extend beyond the period of availability. The Treasurer's staff has made correcting entries to fiscal year 2007.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	A noncompliance citation was issued under Ohio Rev. Code Section 117.38 for not filing GAAP financial statements.	No	Not Corrected: This issue is repeated in the current audit Schedule of Findings as item 2006-001.
2005-002	A finding for recovery was issued under Ohio Rev. Code Section 3313.12 for two Board Members who received payments in compensation for trainings they attended in November 2004 in excess of the allowed amount.	Yes	



Mary Taylor, CPA
Auditor of State

WARREN LOCAL SCHOOL DISTRICT

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2007**