



Mary Taylor, CPA
Auditor of State

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

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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 the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2007, 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 Section 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 the Warren Local School District, Washington County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008, 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.



Mary Taylor, CPA
Auditor of State

March 19, 2008

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

This discussion and analysis of the Warren Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, 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 2007 are as follows:

- In total, net assets decreased \$1,042,381. Net assets of governmental activities decreased \$1,045,349, while net assets of the business-type activity increased \$2,968 from 2006.
- General receipts accounted for \$18,157,096 in receipts or 82% of all revenues for governmental activities. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$3,863,384 or 18% of total revenues of \$22,020,480.
- Total program expenses were \$23,870,299; \$23,065,829 in governmental activities and \$804,470 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.

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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 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances 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 operation. 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, 2007
 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 and the medical employee reimbursement program.

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 2007 compared to 2006 on a cash basis:

	Net Assets					
	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$3,019,633	\$4,064,982	\$185,562	\$182,594	\$3,205,195	\$4,247,576
Net Assets						
Restricted	\$162,083	\$67,011	\$0	\$0	\$162,083	\$67,011
Unrestricted	2,857,550	3,997,971	185,562	182,594	3,043,112	4,180,565
<i>Total Net Assets</i>	<u>\$3,019,633</u>	<u>\$4,064,982</u>	<u>\$185,562</u>	<u>\$182,594</u>	<u>\$3,205,195</u>	<u>\$4,247,576</u>

As mentioned previously, net assets of governmental activities decreased \$1,045,349, which represents a 26% decrease from 2006. 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, 2007
Unaudited

An increase in State Foundation revenues of \$321,500 was made with gains in formula aid \$86,000, special education of \$28,000, transportation of \$15,000, excess cost supplement of \$29,000, Parity Aid of \$61,000, and with gains in other parts of the foundation formula of \$33,000.

The over all property taxes increased by \$446,000 with a decrease in the tangible personal property tax of \$442,000 accounting for most of this loss. The tangible personal property allocation was increased by \$527,000. This increase was due to the reimbursement from the State to replace the tangible personal property decrease under House Bill 66.

Other revenue increased approximately \$200,000. These gains were primarily due to an increase in refunds from prior year expenses such as the Worker Compensation expenses in the amount of \$50,000 and open enrollment increase of \$95,700.

These increases were offset by the increase in salary of 3.5% or \$443,000 and fringe benefits of 7.4% or \$374,000. These increases were influenced by previously negotiated agreements. The increase in wages and benefits over prior years was \$817,600.

In fiscal year 2007, there was an increase in purchased services of \$156,000 and capital outlay of \$603,659. The primary increase in capital outlay was due to purchasing six buses in Fiscal Year 2007 and none in 2006.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 compared to June 30, 2006.

Warren Local School District, Ohio
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For the Fiscal Year Ended June 30, 2007
 Unaudited

Table 2
 Changes in Net Assets

	Governmental Activities	Business-type Activity	Governmental Activities	Business-type Activity
	2007	2007	2006	2006
Receipts				
Program Cash Receipts:				
Charges for Services	\$1,464,815	\$507,858	\$1,349,646	\$499,949
Operating Grants, Contributions and Interest	2,341,227	297,846	2,159,841	257,070
Capital Grants and Contributions	57,342	0	19,327	0
Total Program Cash Receipts	<u>3,863,384</u>	<u>805,704</u>	<u>3,528,814</u>	<u>757,019</u>
General Receipts:				
Property Taxes	6,973,903	0	7,420,496	0
Grants and Entitlements	10,894,597	0	9,903,374	0
Investment Earnings	171,066	1,734	175,978	1,599
Miscellaneous	117,530	0	61,287	0
Total General Receipts	<u>18,157,096</u>	<u>1,734</u>	<u>17,561,135</u>	<u>1,599</u>
Total Receipts	<u>22,020,480</u>	<u>807,438</u>	<u>21,089,949</u>	<u>758,618</u>
Program Disbursements				
Instruction:				
Regular	10,938,353	0	10,290,815	0
Special	2,972,337	0	2,913,422	0
Vocational	195,359	0	197,323	0
Intervention	55,531	0	89,341	0
Support Services:				
Pupils	892,560	0	915,867	0
Instructional Staff	826,680	0	908,167	0
Board of Education	64,704	0	82,361	0
Administration	1,835,791	0	1,771,247	0
Fiscal	566,223	0	563,192	0
Business	5,599	0	5,202	0
Operation and Maintenance of Plant	1,838,708	0	1,901,689	0
Pupil Transportation	2,010,811	0	1,497,155	0
Central	10,829	0	12,987	0
Operation of Non-Instructional Services	30,423	0	28,181	0
Extracurricular Activities	545,104	0	501,000	0
Capital Outlay	276,817	0	4,500	0
Food Service	0	804,470	0	747,046
Total Disbursements	<u>23,065,829</u>	<u>804,470</u>	<u>21,682,449</u>	<u>747,046</u>
Change in Net Assets	(1,045,349)	2,968	(592,500)	11,572
Net Assets Beginning of Fiscal Year	4,064,982	182,594	4,657,482	171,022
Net Assets End of Fiscal Year	<u>\$3,019,633</u>	<u>\$185,562</u>	<u>\$4,064,982</u>	<u>\$182,594</u>

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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Governmental Activities:

Program receipts represent 18% 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 \$1,115,413 in open enrollment fees. The remaining 82% is primarily from grants and entitlements (49% of total revenue) which is the unrestricted state foundation formula payment from the State.

The expenses are composed of 61% for instruction, 18% for support services staff and administration, and 17% for expenses of plant operation and maintenance and pupil transportation.

Table 3
 Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program Expenses				
Instruction:				
Regular	\$10,938,353	\$9,054,100	\$10,290,815	\$8,539,000
Special	2,972,337	1,943,932	2,913,422	1,947,163
Vocational	195,359	164,272	197,323	167,885
Intervention	55,531	55,531	89,341	89,341
Support Services:				
Pupils	892,560	702,911	915,867	783,555
Instructional Staff	826,680	647,727	908,167	708,602
Board of Education	64,704	64,704	82,361	82,361
Administration	1,835,791	1,600,764	1,771,247	1,586,380
Fiscal	566,223	562,226	563,192	559,098
Business	5,599	5,599	5,202	5,202
Operation and Maintenance of Plant	1,838,708	1,838,248	1,901,689	1,898,686
Pupil Transportation	2,010,811	1,911,732	1,497,155	1,414,947
Central	10,829	10,829	12,987	12,987
Operation of Non-Instructional Services	30,423	(2,052)	28,181	4,516
Extracurricular Activities	545,104	365,105	501,000	349,412
Capital Outlay	276,817	276,817	4,500	4,500
Total	<u>\$23,065,829</u>	<u>\$19,202,445</u>	<u>\$21,682,449</u>	<u>\$18,153,635</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2007, approximately 79% of instruction activities were supported through taxes and other general revenues.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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 governmental funds (General Fund and Permanent Improvement) are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$22,020,480 and disbursements of \$23,073,249. The General Fund had a decrease in fund balance of \$1,027,407, while the Permanent Improvement had a decrease of \$105,733.

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 2007, 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 \$19,905,381, below final estimates of \$22,065,230. Final estimated receipts were above original estimates of \$21,473,959. Disbursements of \$21,249,382 were lower than final appropriations of \$21,943,153. The General Fund's balance at fiscal year end was \$1,164,450.

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 2007 financial statements.

Debt

The School District has no outstanding debt at June 30, 2007.

Warren Local School District, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
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% 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 five years where expenditures exceeded revenue (deficit spending), the last three fiscal years 2005, 2006, and 2007 being three of the five. 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 is 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 citizens, 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, 2007

	Governmental Activities	Business-Type Activity	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,017,745	\$185,562	\$3,203,307
Cash and Cash Equivalents in Segregated Accounts	1,888	0	1,888
<i>Total Assets</i>	<u>\$3,019,633</u>	<u>\$185,562</u>	<u>\$3,205,195</u>
Net Assets			
Restricted for:			
Bus Purchase	\$52,862	\$0	\$52,862
Other Purposes	109,221	0	109,221
Unrestricted	<u>2,857,550</u>	<u>185,562</u>	<u>3,043,112</u>
<i>Total Net Assets</i>	<u>\$3,019,633</u>	<u>\$185,562</u>	<u>\$3,205,195</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, 2007

	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	\$10,938,353	\$1,256,341	\$627,912	\$0	(\$9,054,100)	\$0	(\$9,054,100)
Special	2,972,337	0	1,028,405	0	(1,943,932)	0	(1,943,932)
Vocational	195,359	0	31,087	0	(164,272)	0	(164,272)
Intervention	55,531	0	0	0	(55,531)	0	(55,531)
Support Services:							
Pupils	892,560	0	189,649	0	(702,911)	0	(702,911)
Instructional Staff	826,680	0	154,377	24,576	(647,727)	0	(647,727)
Board of Education	64,704	0	0	0	(64,704)	0	(64,704)
Administration	1,835,791	63,110	171,917	0	(1,600,764)	0	(1,600,764)
Fiscal	566,223	0	3,997	0	(562,226)	0	(562,226)
Business	5,599	0	0	0	(5,599)	0	(5,599)
Operation and							
Maintenance of Plant	1,838,708	0	460	0	(1,838,248)	0	(1,838,248)
Pupil Transportation	2,010,811	0	66,313	32,766	(1,911,732)	0	(1,911,732)
Central	10,829	0	0	0	(10,829)	0	(10,829)
Operation of Non-Instructional							
Services	30,423	0	32,475	0	2,052	0	2,052
Extracurricular Activities	545,104	145,364	34,635	0	(365,105)	0	(365,105)
Capital Outlay	276,817	0	0	0	(276,817)	0	(276,817)
<i>Total Governmental Activities</i>	23,065,829	1,464,815	2,341,227	57,342	(19,202,445)	0	(19,202,445)
Business-Type Activity							
Food Service	804,470	507,858	297,846	0	0	1,234	1,234
<i>Totals</i>	<u>\$23,870,299</u>	<u>\$1,972,673</u>	<u>\$2,639,073</u>	<u>\$57,342</u>	<u>(19,202,445)</u>	<u>1,234</u>	<u>(19,201,211)</u>
General Receipts							
Property Taxes Levied for							
General Purposes							
					6,973,903	0	6,973,903
Grants and Entitlements not							
Restricted to Specific Programs							
					10,894,597	0	10,894,597
Investment Earnings							
					171,066	1,734	172,800
Miscellaneous							
					117,530	0	117,530
<i>Total General Receipts</i>							
					<u>18,157,096</u>	<u>1,734</u>	<u>18,158,830</u>
<i>Change in Net Assets</i>							
					(1,045,349)	2,968	(1,042,381)
<i>Net Assets Beginning of Year</i>							
					<u>4,064,982</u>	<u>182,594</u>	<u>4,247,576</u>
<i>Net Assets End of Year</i>							
					<u><u>\$3,019,633</u></u>	<u><u>\$185,562</u></u>	<u><u>\$3,205,195</u></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, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,367,719	\$1,108,667	\$167,495	\$2,643,881
Cash in Segregated Accounts	0	0	1,888	1,888
Restricted Cash and Cash Equivalents	52,862	0	0	52,862
<i>Total Assets</i>	<u>\$1,420,581</u>	<u>\$1,108,667</u>	<u>\$169,383</u>	<u>\$2,698,631</u>
Fund Balances				
Reserved for Encumbrances	\$256,131	\$0	\$41,829	\$297,960
Reserved for Bus Purchases	52,862	0	0	52,862
Unreserved, Undesignated, Reported in:				
General Fund	1,111,588	0	0	1,111,588
Special Revenue Funds	0	0	127,554	127,554
Capital Projects Funds	0	1,108,667	0	1,108,667
<i>Total Fund Balances</i>	<u>\$1,420,581</u>	<u>\$1,108,667</u>	<u>\$169,383</u>	<u>2,698,631</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.	321,002
<i>Net Assets of Governmental Activities</i>	<u>\$3,019,633</u>

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, 2007

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$6,973,903	\$0	\$0	\$6,973,903
Intergovernmental	11,584,216	0	1,674,315	13,258,531
Investment Earnings	5,628	165,438	211	171,277
Tuition and Fees	1,256,341	0	0	1,256,341
Extracurricular Activities	0	0	195,028	195,028
Gifts and Donations	0	0	47,870	47,870
Rent	4,413	0	0	4,413
Miscellaneous	80,880	5,646	26,591	113,117
<i>Total Receipts</i>	<u>19,905,381</u>	<u>171,084</u>	<u>1,944,015</u>	<u>22,020,480</u>
Disbursements				
Current:				
Instruction:				
Regular	10,356,889	0	584,995	10,941,884
Special	2,561,391	0	411,618	2,973,009
Vocational	191,417	0	3,999	195,416
Intervention	55,531	0	0	55,531
Support Services:				
Pupils	713,714	0	179,135	892,849
Instructional Staff	662,603	0	164,247	826,850
Board of Education	64,704	0	0	64,704
Administration	1,617,103	0	219,314	1,836,417
Fiscal	562,544	0	3,792	566,336
Business	5,599	0	0	5,599
Operation and Maintenance of Plant	1,838,959	0	346	1,839,305
Pupil Transportation	1,983,771	0	28,063	2,011,834
Central	10,829	0	0	10,829
Operation of Non-Instructional Services	0	0	30,736	30,736
Extracurricular Activities	368,197	0	176,936	545,133
Capital Outlay	0	276,817	0	276,817
<i>Total Disbursements</i>	<u>20,993,251</u>	<u>276,817</u>	<u>1,803,181</u>	<u>23,073,249</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,087,870)</u>	<u>(105,733)</u>	<u>140,834</u>	<u>(1,052,769)</u>
Other Financing Sources (Uses)				
Advances In	64,737	0	3,346	68,083
Advances Out	(3,346)	0	(64,737)	(68,083)
Transfers In	0	0	928	928
Transfers Out	(928)	0	0	(928)
<i>Total Other Financing Sources (Uses)</i>	<u>60,463</u>	<u>0</u>	<u>(60,463)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(1,027,407)</u>	<u>(105,733)</u>	<u>80,371</u>	<u>(1,052,769)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,447,988</u>	<u>1,214,400</u>	<u>89,012</u>	<u>3,751,400</u>
<i>Fund Balances End of Year</i>	<u>\$1,420,581</u>	<u>\$1,108,667</u>	<u>\$169,383</u>	<u>\$2,698,631</u>

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

Net Change in Fund Balance (\$1,052,769)

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.

7,420

Change in Net Assets of Governmental Activities (\$1,045,349)

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, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Taxes	\$7,522,779	\$7,729,915	\$6,973,903	(\$756,012)
Intergovernmental	12,497,034	12,841,131	11,584,216	(1,256,915)
Investment Earnings	6,463	6,641	5,628	(1,013)
Tuition and Fees	1,355,048	1,392,358	1,256,341	(136,017)
Rent	4,309	4,427	4,413	(14)
Miscellaneous	88,326	90,758	80,880	(9,878)
<i>Total Receipts</i>	<u>21,473,959</u>	<u>22,065,230</u>	<u>19,905,381</u>	<u>(2,159,849)</u>
Disbursements				
Current:				
Instruction:				
Regular	10,350,194	10,487,455	10,467,159	20,296
Special	2,603,172	2,666,423	2,574,241	92,182
Vocational	201,414	204,980	194,371	10,609
Intervention	74,348	76,883	55,531	21,352
Support Services:				
Pupils	809,082	821,604	728,593	93,011
Instructional Staff	697,605	711,767	687,553	24,214
Board of Education	135,375	110,677	74,397	36,280
Administration	1,700,448	1,719,483	1,635,874	83,609
Fiscal	621,375	624,690	567,827	56,863
Business	5,315	5,425	5,599	(174)
Operation and Maintenance of Plant	2,224,093	2,146,864	1,895,396	251,468
Pupil Transportation	2,131,656	1,998,132	1,983,815	14,317
Central	13,506	13,785	10,829	2,956
Extracurricular Activities	347,802	354,985	368,197	(13,212)
<i>Total Disbursements</i>	<u>21,915,385</u>	<u>21,943,153</u>	<u>21,249,382</u>	<u>693,771</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(441,426)</u>	<u>122,077</u>	<u>(1,344,001)</u>	<u>(1,466,078)</u>
Other Financing Sources (Uses)				
Advances In	68,937	70,835	64,737	(6,098)
Advances Out	0	(60,000)	(3,346)	56,654
Transfers Out	0	0	(928)	(928)
<i>Total Other Financing Sources (Uses)</i>	<u>68,937</u>	<u>10,835</u>	<u>60,463</u>	<u>49,628</u>
<i>Net Change in Fund Balance</i>	(372,489)	132,912	(1,283,538)	(1,416,450)
<i>Fund Balance Beginning of Year</i>	1,966,940	1,966,940	1,966,940	0
Prior Year Encumbrances Appropriated	481,048	481,048	481,048	0
<i>Fund Balance End of Year</i>	<u>\$2,075,499</u>	<u>\$2,580,900</u>	<u>\$1,164,450</u>	<u>(\$1,416,450)</u>

Warren Local School District, Ohio
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
June 30, 2007

	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	\$185,562	\$321,002
Net Assets		
Unrestricted	\$185,562	\$321,002

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, 2007*

	Business-Type Activity	Governmental Activities
	Food Service Enterprise Fund	Dental and Prescription Insurance Internal Service Fund
Operating Receipts		
Sales	\$507,858	\$0
Charges for Services	0	851,914
<i>Total Operating Receipts</i>	<u>507,858</u>	<u>851,914</u>
Operating Disbursements		
Salaries	287,183	0
Fringe Benefits	151,311	0
Purchased Services	7,123	10,010
Materials and Supplies	341,232	0
Capital Outlay	17,621	0
Claims	0	834,484
<i>Total Operating Disbursements</i>	<u>804,470</u>	<u>844,494</u>
<i>Operating Income (Loss)</i>	<u>(296,612)</u>	<u>7,420</u>
Non-Operating Receipts		
Interest	1,734	0
Federal and State Subsidies	297,846	0
<i>Total Non-Operating Receipts</i>	<u>299,580</u>	<u>0</u>
<i>Net Change in Net Assets</i>	2,968	7,420
<i>Net Assets Beginning of Year</i>	<u>182,594</u>	<u>313,582</u>
<i>Net Assets End of Year</i>	<u><u>\$185,562</u></u>	<u><u>\$321,002</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, 2007

	<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	\$507,858	\$0
Cash Received from Quasi-External Transactions with Other Funds	0	851,914
Cash Payments to Suppliers for Goods and Services	(365,976)	(10,010)
Cash Payments for Employee Services	(287,183)	0
Cash Payments for Employee Benefits	(151,311)	0
Cash Payments for Claims	0	(834,484)
Net Cash Provided by (Used for) Operating Activities	(296,612)	7,420
Cash Flows from Noncapital Financing Activities		
Operating Grants Received	297,846	0
Cash Flows from Investing Activities		
Interest	1,734	0
<i>Net Increase in Cash and Cash Equivalents</i>	2,968	7,420
<i>Cash and Cash Equivalents Beginning of Year</i>	182,594	313,582
<i>Cash and Cash Equivalents End of Year</i>	\$185,562	\$321,002
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(\$296,612)	\$7,420
Net Cash Provided by (Used for) Operating Activities	(\$296,612)	\$7,420

See accompanying notes to the basic financial statements

Warren Local School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Agency Fund
June 30, 2007

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$28,550</u>
Net Assets	
Restricted for Students	<u>\$28,550</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, 2007

	Private Purpose Trust
	Tracy Scholarship
Additions	
Gifts and Contributions	\$4,000
Deductions	
Scholarships Awarded	4,000
<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, 2007

Note 1 - Description of the School District and Reporting Entity

Warren Local School District, Washington County (the School District), is organized under Article VI, Sections 2 and 3 of the Constitution 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 187 certificated employees and 94 classified employees who provide services to 2,677 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 the School District, this includes general operations, food service, and student-related activities.

The School District participates in four jointly governed organizations and two insurance purchasing pools. 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 and Ohio School Plan, which are defined as insurance purchasing pools. These organizations are presented in Notes 14 and 15 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, 2007

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, 2007

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, 2007

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 2007, the School District invested in STAROhio, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and Federal National Mortgage Association Discount Notes. 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, 2007. The Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and Federal National Mortgage Association Discount Notes are reported at fair value, which is based on quoted market prices.

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 2007 was \$165,438, including \$123,316 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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 8 and 9, 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 \$162,083 of restricted net assets, none of which is restricted by enabling legislation.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

O. Interfund Activity

Transfers within governmental activities on the government-wide statements are reported in the same manner as general revenues. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Note 3 - 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	(\$1,283,538)
Encumbrances	<u>256,131</u>
Cash Basis	<u><u>(\$1,027,407)</u></u>

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 4 - 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in Division (1) or (2) of Ohio Rev. Code Section 135.18;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bank acceptances if training requirements have been met.

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, \$575,130 of the School District's bank balance of \$870,300 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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, 2007, the School District had the following investments:

	Fair Value	Maturity
STAROhio	\$1,852,197	38.56 Days
Federal Home Loan Bank Notes	149,766	4/16/2008
Federal National Mortgage Association Notes	249,297	7/25/2008
Federal Home Loan Bank Notes	99,688	9/12/2008
Federal Home Loan Bank Notes	149,718	11/21/2008
Federal National Mortgage Association Discount Notes	114,621	7/25/2007
Federal Home LLN Mortgage Corporation Discount Notes	244,300	12/11/2007
Total	<u>\$2,859,587</u>	

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.

The Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and Federal National Mortgage Association Discount Notes all carry a rating of AAA by Standard and Poor's. STAROhio 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."

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. 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 2007 is 12.5 percent. This will be reduced to 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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$181,439,570	71%	\$184,200,030	71%
Public Utility Personal	25,236,210	10%	25,477,800	10%
Tangible Personal Property	47,528,500	19%	51,595,469	19%
	<u>\$254,204,280</u>	<u>100%</u>	<u>\$261,273,299</u>	<u>100%</u>

Tax Rate per \$1,000 of Assessed Valuation	\$35.90	\$34.60
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Note 6 - Interfund Balances

Unpaid advances at June 30, 2007, were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$0	\$3,346
Nonmajor Special Revenue Funds:		
State Grant Funds	1,030	0
Federal Grant Funds	2,316	0
Total Special Revenue Funds	<u>3,346</u>	<u>0</u>
Total All Funds	<u>\$3,346</u>	<u>\$3,346</u>

Note 7 - 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 2007, the School District contracted with The Ohio School Plan for property insurance and boiler and machinery coverage. Property damage is on a replacement cost basis for a blanket amount of \$40,111,798 on buildings and contents. The policies include a \$1,000 deductible.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Professional and general liability is protected by The Ohio School Plan with a \$2,000,000 single occurrence limit with a \$4,000,000 aggregate and no deductible. Vehicles are covered by The Ohio School Plan 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 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). 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.

C. Employee Dental and Prescription Benefits

Dental and prescription drug insurance is offered to employees through a self-insurance internal service fund. American Benefits, Inc, the third party administrator, reviews, and processes the claims which the School District then pays. The self-insurance internal service fund allocates the cost of providing claims servicing and claims payments by charging a monthly premium, per individual, to the various funds of the School District. These premiums go into the self-insurance internal service fund. Claims and services are paid from the self-insurance internal service fund. The claims liability of \$82,000 at June 30, 2007, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be 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
2006	\$70,000	\$768,689	\$764,689	\$74,000
2007	74,000	842,484	834,484	82,000

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 8 - 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.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

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, 2007, 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 2006, 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, 2007, 2006, and 2005, were \$1,254,659, \$1,300,158, and \$1,207,019 respectively; 81.47 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$14,384 made by the School District and \$16,697 made by the plan members.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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.

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 2007, 10.68 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, 2007, 2006, and 2005 were \$265,521, \$280,336, and \$289,058 respectively; 36.38 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

Note 9 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (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.

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, 2007, 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 \$96,512 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, 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 2007 fiscal year equaled \$125,089.

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, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Note 10 - Long-Term Debt

The School District has no outstanding debt at June 30, 2007. The School District's overall debt margin was \$18,707,004, with an unvoted debt margin of \$207,856 at June 30, 2007.

Note 11 - 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.

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
Set-aside Reserve Balance as of June 30, 2006	\$0	(\$105,665)
Current Year Set-Aside Requirement	405,013	405,013
Qualifying Disbursements	(803,731)	(410,698)
Total	(\$398,718)	(\$111,350)
Set-aside Balance Carry Forward to Future Fiscal Years	\$0	(\$111,350)

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.

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Note 12 - Interfund Transfers

During the fiscal year, the General Fund transferred \$193 and \$735, respectively, to the Athletic and State Grants Special Revenue Funds to reduce deficit cash balances.

Note 13 - 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, 2007, will not have a material adverse effect on the School District.

B. Litigation

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

Note 14 - 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 30 participants consisting of 26 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 2007, the School District paid \$81,826 to SEOVEC. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

B. Washington County Career Center

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

Warren Local School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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 \$375 for fiscal year 2007.

D. 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 2007, the School District paid \$8,313 to SEOSERRC. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

Note 15 - Insurance Purchasing Pools

A. 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.

B. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the President of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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	\$	\$ 32,948	\$	\$ 32,948
Child Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006 05PU-2007	3,179 <u>22,746</u>	<u>0</u>	3,179 <u>22,746</u>	<u>0</u>
Total School Breakfast Program			<u>25,925</u>	<u>0</u>	<u>25,925</u>	<u>0</u>
National School Lunch Program	10.555	LLP4-2006 LLP4-2007	70,359 <u>191,826</u>	<u>0</u>	70,359 <u>191,826</u>	<u>0</u>
Total National School Lunch Program			<u>262,185</u>	<u>0</u>	<u>262,185</u>	<u>0</u>
Total Child Nutrition Cluster			<u>288,110</u>	<u>0</u>	<u>288,110</u>	<u>0</u>
Total United States Department of Agriculture			288,110	32,948	288,110	32,948
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Direct from Federal Government:</i>						
Fund for the Improvement of Education	84.215	N/A	131,500		130,510	
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2007	173,936		173,936	
Special Education - Grants to States	84.027	6BSF-2007	524,318		511,718	
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2006 DRS1-2007	860 <u>7,088</u>	<u>0</u>	7,088 <u>7,088</u>	<u>0</u>
Total Safe and Drug-Free Schools and Communities - State Grants			<u>7,948</u>	<u>0</u>	<u>7,088</u>	<u>0</u>
Twenty - First Century Community Learning Centers	84.287	T1S1-2006 T1S1-2007	31,376 <u>407,347</u>	<u>0</u>	393,780 <u>393,780</u>	<u>0</u>
Total Twenty - First Century Community Learning Centers			<u>438,723</u>	<u>0</u>	<u>393,780</u>	<u>0</u>
State Grants for Innovative Programs	84.298	C2S1-2006 C2S1-2007	2,027 <u>2,025</u>	<u>0</u>	3,311 <u>3,311</u>	<u>0</u>
Total State Grants for Innovative Programs			<u>4,052</u>	<u>0</u>	<u>3,311</u>	<u>0</u>
Education Technology State Grants	84.318	TJS1-2006 TJS1-2007	987 <u>1,180</u>	<u>0</u>	1,736 <u>1,736</u>	<u>0</u>
Total Education Technology State Grants			<u>2,167</u>	<u>0</u>	<u>1,736</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	TRS1-2006 TRS1-2007	5,722 <u>107,178</u>	<u>0</u>	105,200 <u>105,200</u>	<u>0</u>
Total Improving Teacher Quality State Grants			<u>112,900</u>	<u>0</u>	<u>105,200</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	N/A	5,000 <u>20,000</u>	<u>0</u>	19,392 <u>19,392</u>	<u>0</u>
Total Special Education - State Personnel Development			<u>25,000</u>	<u>0</u>	<u>19,392</u>	<u>0</u>
Total United States Department of Education			1,420,544	0	1,346,671	0
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through Ohio Department of Education:</i>						
Learn and Serve America	94.004	SVS1-2007	2,526		3,000	
Total Corporation for National and Community Service			2,526	0	3,000	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Washington County Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	N/A	10,592		10,592	
<i>Passed through Ohio Department of Job and Family Services:</i>						
Temporary Assistance for Needy Families	93.558	N/A	17,268		15,491	
Total United States Department of Health and Human Services			<u>27,860</u>	<u>0</u>	<u>26,083</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,739,040</u>	<u>\$ 32,948</u>	<u>\$ 1,663,864</u>	<u>\$ 32,948</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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 value of the commodities received.



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 the Warren Local School District, Washington County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 19, 2008, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School District's management in a separate letter dated March 19, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's 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 as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 19, 2008.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 19, 2008



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 the 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, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings 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, 2007. In a separate letter to the School District's management dated March 19, 2008, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 19, 2008

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007
(Continued)

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

FINDING NUMBER 2007-001

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 Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

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 FOR FEDERAL AWARDS

None.

**WARREN LOCAL SCHOOL DISTRICT
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not reporting on a GAAP basis.	No	Not Corrected: This item is repeated in the current audit as Finding 2007-001.
2006-002	A noncompliance finding and questioned cost for expenditures being paid out of the period of availability for the Special Education – Grants to States program (CFDA #84.027).	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 17, 2008