

**FINANCIAL STATEMENTS AND REPORTS OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
WARREN COUNTY SCHOOL DISTRICT  
June 30, 2006**

# Root, Spitznas & Smiley, Inc.

Certified Public Accountants

900 State Street  
Suite One  
Erie, Pennsylvania 16501-1450

814-453-7731  
FAX: 814-455-6799

Michael N. Barko, CPA  
Edmund J. Czemerych, CPA  
J. Randolph Gehrlein, CPA  
James T. Scavona, CPA

## Transmittal Letter

Members of the School Board  
Warren County School District

We have performed the Single Audit of the Warren County School District, Warren, Pennsylvania, for the year ended June 30, 2006, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of OMB Circular A-133 and includes the following:

1. an audit of the financial statements and our opinion thereon, including our report on the schedule of expenditures of federal awards;
2. a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*;
3. a report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133;
4. a separate memorandum of advisory comments and other matters involving the internal control structure (management letter).

*Root, Spitznas and Smiley, Inc.*

October 5, 2006

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# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

The discussion and analysis of the WARREN COUNTY SCHOOL DISTRICT'S financial performance is provided as an overall review of the financial activities for the fiscal year ended June 30, 2006. It is intended to have this discussion and analysis presented as a look at the District's financial performance as a whole. To gain a greater appreciation and understanding of the District's financial performance, the reader should also review the financial statements and notes.

### **FINANCIAL HIGHLIGHTS:**

Key financial highlights for 2005-06 include:

Total 2005-2006 general fund revenues amounted to \$62,191,223 compared to 2004-05 total revenue of \$59,271,025. This represented a 4.9% increase in revenues.

The general fund expenses, including transfers, of the District amounted to \$62,152,219 in 2005-06 compared to total expenses in 2004-05 of \$57,791,298. This represented a 7.5% increase in expenses.

The General Fund Total Fund Balance at fiscal year ending 2005-06 was \$5,422,386, which represented a favorable change of \$39,004 from the prior year's fund balance of \$5,383,382. Included in the Total Fund Balance is a designation of \$2,391,965 for 2006-07 operations. The *Unreserved-Undesignated Fund Balance of \$3,030,421* at fiscal year ending June 30, 2006 represented 4.9% of the total expenses in the fiscal year compared to the fund balance at fiscal year ended June 30, 2005, which represented 7.2% of the expenses for that period. Although the 2005-06 fiscal budget projected the use of approximately \$1.25 million of the beginning fund balance, a resultant increase in investment earnings, grant revenue and unanticipated PLANCON reimbursement rates for the period, along with holding the line on a number of expenditure items, resulted in the \$39,004 increase to the beginning fund balance. The projected use of fund balance in the 2004-05 year was budgeted at approximately \$1.6 million.

Section 511 Taxes and the sale of real property accounted for the major increases of revenue over projected for 2005-06.

Again, as in the recent past, expenditures fell below original projections in a number of areas. Because of several grants, a number of contingent staff positions and professional development exercises were funded outside the regular general fund budget.

### **USING THE ANNUAL FINANCIAL REPORT:**

The annual financial report consists of a series of financial statements and notes to those statements.

# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

The organization of these reports is intended to provide the reader with an understanding of the Warren County School District as a financial whole, and an entire operating entity.

The statements progress into a more detailed look at the specific financial activities during the fiscal year 2005-06.

The *Statement of Net Assets* and *Statement of Activities* provide information about the whole District, presenting both an aggregate view of the District's finances and longer-term view of those finances. The next level of detail is presented in the fund financial statements. For the governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The District's most significant funds are also viewed through the fund financial statements. The general fund is by far the most significant fund of the Warren County School District.

### **REPORTING THE SCHOOL DISTRICT AS A WHOLE:**

#### Government-Wide Financial Statements

##### *Statement of Net Assets* and the *Statement of Activities*

This document contains all the funds used by the District to provide programs and activities and attempts to answer the question, "How did we do financially during the 2005-06 fiscal year?" The answer is available in the *Statement of Net Assets* and the *Statement of Activities*. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector organizations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or disbursed.

These two statements report the District's net assets and changes in those assets over the course of the 2005-06 fiscal year. The reports will show whether the District as a whole has seen an increase or decrease in its financial position. The causes for this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, student enrollment, facility conditions, required educational programs and other factors.

The *Statement of Net Assets* and the *Statement of Activities* divide the District into two distinct types of activities:

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

# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The District's Food Services operations are report as business activities.

### **Governmental Activities**

Governmental activities for 2005-06 resulted in an **increase in net assets of \$2,850,510**. The increase resulted primarily from the increase in Earned Income taxes collected in 2005-06 compared to the 2004-05 fiscal year, as well as the increases in the State and Federal subsidies and grants. The cash flow of the district benefited from a more secure fund balance and increased interest earnings rates.

	2005-06	2004-05
Property Taxes	\$24,596,400	\$23,206,945
Grants, subsidies, other	\$21,767,073	\$21,350,021
Investment earnings	\$359,622	\$181,191
Miscellaneous income	\$640,187	(\$79,287)
Transfers between Govt's	0	(\$5,584)
<b>Total</b>	<b>\$47,363,282</b>	<b>\$44,653,286</b>

### **Business-Type Activities**

Business-type activities relate to the District's food service program. The food service program receives direct funding support from the State and federal divisions dealing with the National School Lunch Program. Additional revenues derived from the sale of meals to students and staff account for the operational funds to operate without support from tax revenues. The general fund, from time-to-time, through a transfer of funds to maintain the majority of capital equipment needs for food service operations, makes a direct contribution to the food service fund. In 2005-06 the general fund transferred \$0 to the food service fund.

### **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS:**

The analysis of the District's major funds begins on page 11. Detailed information about the District's major funds is reported through the fund financial reports. The major funds will focus on the general fund and the capital projects fund.

# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

**Government Funds** -- Most District activities are reported in governmental funds, which focus on the flow of funds into and out of those funds. The balances at the end of the fiscal year represent what is available for funding in future periods. The modified accrual basis of accounting is used to report the financial activities in these funds and measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the District's general government operations and the basic services it provides. An analysis of the governmental fund helps to determine what funds may be available in the near future to finance continued educational programs.

**Proprietary Funds** -- Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

**Fiduciary Funds** -- The District is the trustee for an established Trust Fund. Funds within the trust are monitored by the District and distributed as monetary awards or through purchases for educational supplies and materials in accordance with the specifications and restrictions of each trust agreement. Due to the trust arrangement, these funds can only be used for trust beneficiaries and cannot be utilized by the District to finance its operations.

### **General Fund Revenue**

The District's revenues continue to reflect a similar basic breakdown: local (taxes and other), 40 percent; State and Federal revenues, 60 percent.

	2005-06	2004-05
Local Revenue	\$24,575,063 (40%)	\$22,981,051 (39%)
State Revenue	\$33,552,227 (54%)	\$32,618,681 (55%)
Federal & Other	\$ 4,063,933 ( 6%)	\$ 3,671,293 ( 6%)
<b>TOTAL</b>	<b>\$62,191,223</b>	<b>\$59,271,025</b>

### **General Fund Expenses**

The District's program expenses are 58 percent instruction; 33 percent support; and 9 percent non-instructional (including debt payments and transfers).

	2005-06	2004-05
Instruction	\$36,259,772 (60%)	\$33,746,689 (58%)
Support Services	\$20,550,153 (34%)	\$20,062,850 (35%)
Non-Instruction & Debt	\$ 5,342,294 ( 6%)	\$ 2,612,475 ( 7%)
<b>TOTAL</b>	<b>\$62,152,219</b>	<b>\$57,791,298</b>



# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

The 2005-06 fiscal year again saw little growth in the local economy. The numbers of appeals and eventual granting of decreased real estate assessments continue to have a significant impact on the local real estate tax base. Consequently, the District's reliance on State and federal grants becomes more and more evident in an effort to meet program needs in order to avoid further financial hardship to the local taxpayer.

### School District's Funds

The governmental funds of the District are accounted for using the modified accrual basis of accounting. The following is a breakdown of District fund balances:

	2005-06
General Fund	\$5,422,386
Capital Reserve	\$2,170,674
Capital Projects	\$ 350,884
Debt Service	\$ 500
<b>Total</b>	<b>\$7,944,444</b>

### General Fund Budget Highlights

The \$62,191,223 of revenues in the general fund in 2005-06 applied against the total general fund expenditure outlay of \$62,152,219 resulted in a net increase to the fund balance of \$39,004. Although the District recognizes a fund balance of \$5,422,386, it also realizes that post-retirement benefits accounts for over \$4,700,000 and needs to be considered as a designation of that fund balance and that \$2,391,965 is included to fund 2006-07 operating expenses.

### Comparison of Transfer Out Accounts

	2004-05	2004-05
Contribution to Athletics	\$ 782,686	\$ 783,296
Contribution to Food Svc	\$ 0	\$ 5,584
Contribution/Capital Resrv	\$ 1,250,000	\$ 600,000
Debt Service Payments	\$ 3,141,073	\$2,343,390
<b>TOTALS</b>	<b>\$ 5,173,759</b>	<b>\$3,732,270</b>

### Capital Asset and Debt Administration

At the end of fiscal year 2005-06, the District had \$43.5 million invested in land, buildings, equipment and construction-in-process (\$81.3 million, less accumulated depreciation of \$37.8 million).

# WARREN COUNTY SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2006

Required Supplementary Information

### **Debt Administration**

The existing bonds payable at June 30, 2006, totaled \$31,510,000. The debt payments for the fiscal year totaled \$3,141,073.

At June 30, 2006, the District's non-electoral limit for debt (225% of borrowing base) was \$133 million.

### **Factors Expected to have an Effect on Future Operations**

The stagnant status of the local real estate assessments, coupled with continued appeals from local businesses and industries, concerns the District as current operational expenses continue to rise without any normal inflationary increases in revenues. The impact of the Act 72 legislation regarding gambling revenues will also have to be dealt with as the District moves forward. With the continued projections for decreases in the District student enrollment, the challenge to reduce operational costs while maintaining the expected high levels of educational programming is a continuing challenge for the District Board and administration.

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900 State Street  
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## Independent Auditors' Report

Members of the School Board  
Warren County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County School District, Warren, Pennsylvania, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006, on our consideration of the Warren County 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.

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The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis on pages 1 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

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*Root, Spitznagel and Smiley, Inc.*

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October 5, 2006

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FINANCIAL STATEMENTS

Warren County School District  
Statement of Net Assets  
June 30, 2006

Assets			
Assets	Governmental Activities	Business-Type Activities	Total
0100 Cash and cash equivalents	7,688,282	370,345	8,058,627
0110 Investments	87,597	-	87,597
0120 Taxes receivable (net)	3,452,587	-	3,452,587
0133 Internal balances	435,704	-	435,704
0141 Due from other governments	859,775	109,476	969,251
0146 Due from primary government	-	-	-
0147 Due from component units	-	-	-
0150 Other receivables	65,128	129,657	194,785
0170 Inventories	-	-	-
0180 Prepaid expenses	670,620	35,129	705,749
0190 Other current assets	313,237	-	313,237
XXXX Total current assets	13,572,930	644,607	14,217,537
Noncurrent Assets			
0108 Restricted cash and cash equivalents	-	-	-
0260 Long-term prepayments	-	-	-
0210 Land and site improvements (net)	781,213	-	781,213
0220 Building and building improvements (net)	35,141,353	-	35,141,353
0230 Machinery and equipment (net)	6,723,309	183,646	6,906,955
0250 Construction in progress	819,719	-	819,719
0280 Infrastructure assets (net)	-	-	-
0290 Other long-term receivables	-	-	-
XXXX Total noncurrent assets	43,665,594	183,646	43,849,240
XXXX Total assets	57,038,524	828,253	57,866,777
Liabilities			
Current Liabilities			
0403 Internal balances	-	435,704	435,704
0411 Due to other governments	-	-	-
0412 Due to primary government	-	-	-
0413 Due to component units	-	-	-
0420 Accounts payable	711,271	109,527	820,798
0430 Contracts payable	-	-	-
0440 Current portion of long-term debt	2,215,000	-	2,215,000
0450 Short-term payables	-	-	-
0461 Accrued salaries and benefits	1,458,907	137	1,459,044
0462 Payroll deductions and withholdings	337,472	-	337,472
0470 Advances from other funds	-	-	-
0480 Deferred revenues	-	-	-
0490 Other current liabilities	886,293	-	886,293
XXXX Total current liabilities	5,608,943	545,368	6,154,311
Noncurrent Liabilities			
0510 Bonds payable	29,295,000	-	29,295,000
0520 Extended term financing agreements	-	-	-
0530 Lease purchase obligations	-	-	-
0540 Long-term portion of compensated absences	778,146	-	778,146
0550 Authority lease obligations	-	-	-
0590 Other long-term liabilities	-	-	-
XXXX Total noncurrent liabilities	30,073,146	-	30,073,146
XXXX Total liabilities	35,682,089	545,368	36,227,457
Net Assets			
0791 Invested in capital assets net of debt	12,422,495	-	12,422,495
0792 Restricted for	-	-	-
0793 Retirement of long-term debt	500	-	500
0794 Capital projects	-	-	-
0795 Permanent endowment - expendable	-	-	-
0796 Other	-	-	-
0799 Unrestricted (deficit)	8,933,440	282,885	9,216,325
0790 Total net assets	21,356,435	282,885	21,639,320
XXXX Total liabilities and net assets	57,038,524	828,253	57,866,777

The accompanying notes are an integral part of these statements.

Warren County School District  
Statement of Activities  
June 30, 2006

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
Instruction:								
1100	Regular instruction	\$ 25,533,859	\$ 26,109	\$ 2,321,456	\$ -	\$ (23,186,294)	\$ -	\$ (23,186,294)
1200	Special instruction	9,131,785	-	5,360,925	-	(3,770,860)	-	(3,770,860)
1300	Vocational instruction	1,446,305	-	278,677	-	(1,167,628)	-	(1,167,628)
1400	Other instructional programs	1,747,559	-	1,672,000	-	(75,559)	-	(75,559)
1600	Adult education programs	-	20	-	-	20	-	20
Total instructional services		37,859,508	26,129	9,633,058	-	(28,200,321)	-	(28,200,321)
Support services:								
2100	Pupil personnel	1,231,146	-	89,400	-	(1,141,746)	-	(1,141,746)
2200	Instructional staff	2,534,891	-	867,870	-	(1,667,021)	-	(1,667,021)
2300	Administration	4,392,275	-	178,637	-	(4,213,638)	-	(4,213,638)
2400	Pupil health	391,328	-	133,641	-	(257,687)	-	(257,687)
2500	Business services	664,226	-	30,280	-	(633,946)	-	(633,946)
2600	Operation and maintenance of plant services	6,339,133	3,594	132,098	-	(6,203,441)	-	(6,203,441)
2700	Student transportation	4,751,627	-	3,151,769	-	(1,599,858)	-	(1,599,858)
2800	Central	273,895	-	236,202	-	(37,693)	-	(37,693)
2900	Other support services	93,347	-	-	-	(93,347)	-	(93,347)
Total support services		20,671,868	3,594	4,819,897	-	(15,848,377)	-	(15,848,377)
Non-instructional services:								
3200	Student activities	1,023,919	90,930	23,654	-	(909,335)	-	(909,335)
3300	Community services (excl. 3340)	20,094	-	17,462	-	(2,622)	-	(2,622)
3400	Scholarships and awards	-	-	-	-	-	-	-
5100-82	Interest on long-term debt	428,913	-	876,796	-	447,883	-	447,883
0750	Unallocated depreciation expense	-	-	-	-	-	-	-
Total non-instructional services		1,472,916	90,930	917,912	-	(464,074)	-	(464,074)
Total governmental activities		60,004,292	120,653	15,370,867	-	(44,512,772)	-	(44,512,772)
Business-type activities:								
3100	Food service	1,650,612	806,088	790,538	-	(54,006)	(54,006)	(54,006)
Total primary government		\$ 61,654,904	\$ 926,721	\$ 16,161,405	\$ -	(44,512,772)	(54,006)	(44,586,778)
General revenues								
Taxes:								
6111	Property taxes, levied for general purposes, net					24,596,400	-	24,596,400
	Taxes levied for specific purposes					-	-	-
	Grants, subsidies and contributions not restricted					21,767,073	-	21,767,073
	Receipts from member districts					-	-	-
9640, 9811	Investment earnings					359,622	826	360,448
6500	Miscellaneous income					640,187	26,110	666,297
8888	Special items					-	-	-
8899	Extraordinary items					-	-	-
	Transfers					-	-	-
Total general revenues, special items, extraordinary items and transfers						47,363,282	26,936	47,390,218
Change in net assets						2,850,510	(27,070)	2,823,440
Net assets-beginning						18,505,925	309,955	18,815,880
Prior period adjustment						-	-	-
Net assets-ending						\$ 21,356,435	\$ 282,885	\$ 21,639,320

The accompanying notes are an integral part of these statements.

Warren County School District  
Balance Sheet  
Governmental Funds  
June 30, 2006

	General Fund	Capital Reserve	Capital Projects	Debt Service	Non Major Funds	Total Gov't Funds
<b>Assets</b>						
0100 Cash and cash equivalents	\$ 5,576,446	\$ 1,718,798	\$ 392,538	\$ 500	\$ -	\$ 7,688,282
0110 Investments	87,597	-	-	-	-	87,597
0120 Taxes receivable (net)	3,014,872	-	-	-	-	3,014,872
0130 Due from other funds	614,081	686,490	-	-	6,261	1,306,832
0141 Due from other governments	799,391	-	-	-	-	799,391
0146 Due from primary government	-	-	-	-	-	-
0147 Due from component units	-	-	-	-	-	-
0150 Other receivables	64,882	246	-	-	-	65,128
0160 Advances to other funds	-	-	-	-	-	-
0170 Inventories	-	-	-	-	-	-
0180 Prepaid expenses	670,620	-	-	-	-	670,620
0190 Other current assets	197,220	-	-	-	-	197,220
XXXX Total assets	<u>\$ 11,025,109</u>	<u>\$ 2,405,534</u>	<u>\$ 392,538</u>	<u>\$ 500</u>	<u>\$ 6,261</u>	<u>\$ 13,829,942</u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
0400 Due to other funds	\$ 692,752	\$ 178,376	\$ -	\$ -	\$ -	\$ 871,128
0411 Due to other governments	-	-	-	-	-	-
0412 Due to primary government	-	-	-	-	-	-
0413 Due to component units	-	-	-	-	-	-
0420 Accounts payable	611,009	56,484	41,654	-	2,123	711,270
0430 Contracts payable	-	-	-	-	-	-
0440 Current portion of long-term debt	-	-	-	-	-	-
0450 Short-term payables	-	-	-	-	-	-
0461 Accrued salaries and benefits	1,454,768	-	-	-	4,138	1,458,906
0462 Payroll deductions and withholdings	337,472	-	-	-	-	337,472
0470 Advances from other funds	-	-	-	-	-	-
0480 Deferred revenues	2,348,620	-	-	-	-	2,348,620
0490 Other current liabilities	158,102	-	-	-	-	158,102
XXXX Total liabilities	<u>5,602,723</u>	<u>234,860</u>	<u>41,654</u>	<u>-</u>	<u>6,261</u>	<u>5,885,498</u>
<b>Fund Balances</b>						
<b>Standard Fund Balance Reserves</b>						
0751 Reserve for inventories	-	-	-	-	-	-
0752 Reserve for prepaid expenses	-	-	-	-	-	-
0753 Reserve for encumbrances	-	-	-	-	-	-
0754 Reserve for retirement of long-term debt	-	-	-	500	-	500
0755 Reserve for Capital Projects	-	-	350,884	-	-	350,884
0795 Reserve for other (explain)	-	-	-	-	-	-
0760 Specific fund balance reserves	-	-	-	-	-	-
0771 Unreserved - designated	2,391,465	2,170,674	-	-	-	4,562,139
0772 Unreserved - undesignated	3,030,921	-	-	-	-	3,030,921
XXXX Total fund balances	<u>5,422,386</u>	<u>2,170,674</u>	<u>350,884</u>	<u>500</u>	<u>-</u>	<u>7,944,444</u>
XXXX Total liabilities and fund balances	<u>\$ 11,025,109</u>	<u>\$ 2,405,534</u>	<u>\$ 392,538</u>	<u>\$ 500</u>	<u>\$ 6,261</u>	<u>\$ 13,829,942</u>

The accompanying notes are an integral part of these statements.



Warren County School District  
Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Assets  
June 30, 2006

Total fund balances - governmental funds \$ 7,944,444

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$81,269,927, and the accumulated depreciation is \$37,804,333 43,465,594

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 2,348,619

Allowance for doubtful accounts - taxes receivable (107,172)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$ (31,510,000)	
Deferred amount on refunding (net)	77,927	
Bond discount (net)	38,090	
Accrued interest on the bonds	(307,982)	
Compensated absences	<u>(1,198,356)</u>	(32,900,321)

Other:

Earned income tax receivable from self-employed individuals	544,887
Rental subsidy receivable	60,384

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 21,356,435

The accompanying notes are an integral part of these statements.

Non Major Funds	Total Gov. Funds
\$ 90,930	\$ 24,900,827
19,183	33,571,410
-	3,568,738
110,113	62,040,975
-	36,259,772
-	20,550,153
892,799	1,063,632
-	1,843,562
-	3,138,775
892,799	62,855,894
(782,686)	(814,919)
-	-
-	-
-	-
782,686	5,173,759
-	502,195
-	-
-	-
-	-
-	-
-	-
-	(5,173,759)
-	-
-	-
782,686	502,195
-	-
-	-
-	(312,724)
-	8,257,168
-	-
\$ -	\$ 7,944,444

Warren County School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
To the Statement of Activities  
For the Year Ended June 30, 2006

Total net change in fund balances - governmental funds \$ (312,724)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (2,570,693)	
Capital outlays	<u>3,246,478</u>	675,785

The proceeds from the sale of fixed assets are recorded as revenue in the governmental funds. However, in the statement of activities, only the gain on the sale is recognized as revenue. (69,436)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 125,438

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,065,000

Amortization of bond discount and deferred amount on refunding (9,668)

Other:

Change in self-employment taxes receivable	274,941
Change in rental reimbursement receivable	(2,207)
Change in allowance for doubtful accounts	(7,145)
Change in compensated absences	96,869
Change in accrued interest payable	<u>13,657</u>

Change in net assets of governmental activities \$ 2,850,510

The accompanying notes are an integral part of these statements.