

Budget to GAAP Difference	Actual Amounts GAAP basis
\$ (363,511)	\$ 24,938,574
2,208	33,550,019
-	3,568,738
(361,303)	62,057,331
(1,059,877)	25,533,859
(541,497)	9,131,785
(25,533)	1,446,305
27,171	1,747,559
-	-
(1,439)	1,231,146
67,223	2,534,891
(248,737)	4,392,275
(1,254)	391,328
3,462	664,226
113,878	6,292,666
2,016	4,751,627
(10,389)	367,234
-	-
17,219	131,120
-	20,084
-	-
-	-
-	112
(1,657,757)	58,636,217
1,296,454	3,421,114
-	-
-	-
69,436	425,759
-	-
-	-
-	-
(5,173,759)	-
-	-
-	-
(5,104,323)	425,759
-	-
-	-
(3,807,869)	3,846,873
22,173,739	(16,790,357)
488,677	(488,677)
\$ 18,854,547	\$ (13,432,161)

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

	Food Service	Internal Service
<b>Assets</b>		
<b>Current Assets</b>		
0100 Cash and cash equivalents	\$ 370,345	\$ -
0110 Investments	-	-
0130 Due from other funds	-	-
0141 Due from other governments	109,476	-
0146 Due from primary government	-	-
0147 Due from component units	-	-
0150 Other receivables	129,657	-
0160 Advances to other funds	-	-
0170 Inventories	35,129	-
0180 Prepaid expenses	-	-
0190 Other current assets	-	-
XXXX Total current assets	<u>644,607</u>	<u>-</u>
<b>Noncurrent Assets</b>		
0108 Restricted cash and equivalents	-	-
0210 Land and site improvements	-	-
0220 Building and building improvements(net)	-	-
0230 Machinery and equipment (net)	183,646	-
0250 Construction in progress	-	-
0260 Long-term prepayments	-	-
XXXX Total noncurrent assets	<u>183,646</u>	<u>-</u>
XXXX Total assets	<u>\$ 828,253</u>	<u>\$ -</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
0400 Due to other funds	\$ 435,704	\$ -
0411 Due to other governments	-	-
0413 Due to component units	-	-
0420 Accounts payable	109,527	-
0430 Contracts payable	-	-
0440 Current portion of long-term debt	-	-
0450 Short-term payables	-	-
0461 Accrued salaries and benefits	137	-
0462 Payroll deductions and withholdings	-	-
0470 Advances from other funds	-	-
0480 Deferred revenues	-	-
0490 Other current liabilities	-	-
XXXX Total current liabilities	<u>545,368</u>	<u>-</u>
<b>Noncurrent Liabilities</b>		
0510 Bonds payable	-	-
0520 Extended term financing agreements	-	-
0530 Lease purchase obligations	-	-
0540 Long-term portion of compensated abs	-	-
0550 Authority lease obligations	-	-
0590 Other long-term liabilities	-	-
XXXX Total noncurrent liabilities	<u>-</u>	<u>-</u>
XXXX Total liabilities	<u>545,368</u>	<u>-</u>
<b>Net Assets</b>		
0791 Invested in capital assets net of debt	-	-
0798 Restricted for legal purposes	-	-
0799 Unrestricted	282,885	-
0790 Total net assets	<u>282,885</u>	<u>-</u>
XXXX Total liabilities and net assets	<u>\$ 828,253</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Warren County School District  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	Food Service	Internal Service
Operating Revenues:		
6600 Food service revenue	\$ 806,068	\$ -
6900 Charges for services	-	-
6999 Other operating revenues	26,110	-
0010 Total operating revenues	832,178	-
Operating Expenses:		
0100 Salaries	460,535	-
0200 Employee benefits	211,284	-
0300 Purchased professional and technical service	-	-
0400 Purchased property service	-	-
0500 Other purchased service	852,687	-
0600 Supplies	1,744	-
0700 Depreciation	25,308	-
0810 Dues and fees	-	-
0820 Claims and judgments	-	-
0890 Other operating expenditures	99,054	-
0020 Total operating expenses	1,650,612	-
0030 Operating income (loss)	(818,434)	-
Nonoperating Revenues (Expenses)		
6500 Earnings on investments	826	-
6920 Contributions and donations	-	-
6930 Gain/loss on sale of fixed assets	-	-
7000 State sources	58,165	-
8000 Federal sources	732,373	-
9500 Refunds of prior year expenditures	-	-
0820 Claims and judgments	-	-
0830 Interest expenses	-	-
0040 Total nonoperating revenues (expenses)	791,364	-
Income (loss) before contributions	(27,070)	-
6920 Capital contributions	-	-
9998 Transfers from (to) component units	-	-
9999 Transfers in (out)	-	-
Change in net assets	(27,070)	-
XXXX Total net assets - July 1, 2005	309,955	-
0057 Accounting changes	-	-
0061 Prior period adjustment	-	-
XXXX Total net assets - June 30, 2006	\$ 282,885	\$ -

The accompanying notes are an integral part of these statements.

Warren County School District  
Combined Statement of Cash Flows  
Proprietary Fund Types  
June 30, 2006

	Food Service	Internal Service
Cash Flows From Operating Activities		
9937 Cash received from users	\$ 682,910	\$ -
9938 Cash received from assessments made to other funds	-	-
9939 Cash received from earnings on investments	-	-
9940 Cash received from other operating revenue	26,110	-
9941 Cash payments to employees for services	(671,682)	-
9942 Cash payments for insurance claims	-	-
9943 Cash payments to suppliers for goods and services	(356,434)	-
9944 Cash payments for other operating expenses	(99,054)	-
Net cash provided by (used for) operating activities	(418,150)	-
Cash Flows From Non-Capital Financing Activities		
6000 Local sources	-	-
7000 State sources	51,425	-
8000 Federal sources	656,469	-
9917 Notes and loans received	-	-
9918 Interest paid on notes/loans (5100-830)	-	-
9919 Operating transfers in (out)/ residual equity	-	-
9920 Operating transfers in (out) primary government	-	-
9921 Operating transfers in (out) component units	-	-
9922 Refunds of prior year expenditures (9500)	-	-
Net cash provided by (used for) non-capital financing activities	707,894	-
Cash Flows From Capital and Related Financing Activities		
4000 Facilities acquisition/construction/imp. serv	(19,445)	-
6930 Gain/loss on sale of fixed assets (proceeds)	-	-
9200 Proceeds from extended term financing	-	-
9925 Principal paid on financing agreements	-	-
9926 Interest paid on financing agreements (5100-830)	-	-
9927 Change in contributed capital	-	-
Net cash provided by (used for) capital and rel financing activities	(19,445)	-
Cash Flows From Investing Activities		
6500 Earnings on investments	826	-
9929 Purchase of invest securities/deposits to invest pools	-	-
9930 Withdrawals from investment pools	-	-
9931 Proceeds from sale and maturity of Invest securities	-	-
9932 Loans received (paid)	-	-
Net cash provided by (used for) investing activities	826	-
Net increase (decrease) in cash and cash flows	271,125	-
9935 Cash and cash equivalents beginning of year	99,220	-
9936 Cash and cash equivalents at year end	\$ 370,345	\$ -

The accompanying notes are an integral part of these statements.

Warren County School District  
Combined Statement of Cash Flows  
Proprietary Fund Types - Continued  
June 30, 2006

	<u>Food Service</u>	<u>Internal Service</u>
9900 Operating income (loss)	\$ (818,434)	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used for):		
9901 Depreciation and net amortization	25,308	-
9902 Provision for uncollectible accounts	-	-
9903 Write-in	-	-
9904 (Increase) decrease in accounts receivable	(123,158)	-
9905 (Increase) decrease in advances to other funds	117,925	-
9906 (Increase) decrease in inventories	(3,289)	-
9907 (Increase) decrease in prepaid expenses	115,745	-
9908 (Increase) decrease in other current assets	-	-
9909 Increase (decrease) in accounts payable	109,158	-
9910 Increase (decrease) in accrued salaries and benefits	137	-
9911 Increase (decrease) in payroll deductions/withholding	-	-
9912 Increase (decrease) in advances from other funds	158,458	-
9913 Increase (decrease) in deferred revenue	-	-
9914 Increase (decrease) in other current liabilities	-	-
	<hr/>	<hr/>
Total adjustments	400,284	-
	<hr/>	<hr/>
Cash provided by (used for) total	<u>\$ (418,150)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

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

		Agency Funds			
		Student	Earned Income	Trust Funds	Total
		Activities	Tax Office		
Assets					
0100	Cash and cash equivalents	\$ 148,058	\$ 63,623	\$ 23,683	\$ 235,364
0110	Investments	-	893,506	213,385	1,106,891
0130	Due from other funds	-	-	-	-
0147	Due from component units	-	-	-	-
0150	Other receivables	-	-	-	-
0160	Advances to other funds	-	-	-	-
0170	Inventories	-	-	-	-
0180	Prepaid expenses	-	-	-	-
0190	Other current assets	-	-	-	-
0220	Building and building improvements(net)	-	-	-	-
0230	Machinery and equipment (net)	-	-	-	-
XXXX	Total assets	<u>\$ 148,058</u>	<u>\$ 957,129</u>	<u>\$ 237,068</u>	<u>\$ 1,342,255</u>
Liabilities					
0420	Accounts payable	\$ 148,058	\$ 957,129	\$ -	\$ 1,105,187
0430	Contracts payable	-	-	-	-
0450	Short-term payables	-	-	-	-
0400	Due to other funds	-	-	-	-
0411	Due to other governments	-	-	-	-
0412	Due to primary government	-	-	-	-
0413	Due to component units	-	-	-	-
0461	Accrued salaries and benefits	-	-	-	-
0462	Payroll deductions and withholdings	-	-	-	-
0470	Advances from other funds	-	-	-	-
0480	Deferred revenues	-	-	-	-
0490	Other current liabilities	-	-	-	-
XXXX	Total liabilities	<u>148,058</u>	<u>957,129</u>	<u>-</u>	<u>1,105,187</u>
Net Assets					
0791	Invested in capital assets net of debt	-	-	-	-
0798	Restricted for legal purposes	-	-	237,068	237,068
0799	Unrestricted	-	-	-	-
XXXX	Total net assets	<u>-</u>	<u>-</u>	<u>237,068</u>	<u>237,068</u>
XXXX	Total liabilities and net assets	<u>\$ 148,058</u>	<u>\$ 957,129</u>	<u>\$ 237,068</u>	<u>\$ 1,342,255</u>

The accompanying notes are an integral part of these statements.

Warren County School District  
Statement of Changes in Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2006

	Trust Funds
Additions	
Gifts and contributions	\$ -
Earnings on investments	17,178
Deductions	
Scholarships awarded	<u>(6,022)</u>
Change in net assets	11,156
Net assets-July 1, 2005	<u>225,912</u>
Net assets-June 30, 2006	<u>\$ 237,068</u>

The accompanying notes are an integral part of these statements.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) as applied to governmental units prescribed in the statements issued by the Government Accounting Standards Board (GASB) and other recognized authoritative sources. In the government-wide financial statements and in enterprise funds, the District also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, except those that conflict with GASB pronouncements.

1. Financial Reporting Entity

For financial reporting purposes the Warren County School District includes all funds that are controlled by or dependent on the administrative and legislative branches (the Administration or School Board, respectively). Control by or dependence on the District is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the District to finance any deficits that may occur, or receipt of significant subsidies from the District, and reporting responsibility of the entity in question.

The District includes the Tax Collection Fund of Warren County as an agency fund of the District. Furthermore, the Warren County Area Vocational Technical School which serves primarily the Warren County School District is included in the general fund of the District.

2. Fund Accounting

The accounts of the School District are maintained, and the accompanying fund financial statements have been prepared on the basis of accounting practices prescribed or permitted by the Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems, issued by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. These practices, as they apply to the Warren County School District, are in conformity with accounting principles generally accepted in the United States of America.

The financial transactions of the District are recorded in individual funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific District functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.



Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund - The Capital Reserve Fund is used to account for certain repairs and maintenance of the District's buildings and facilities.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or repair of capital facilities (other than those financed by the Proprietary Fund). The District's capital projects fund consists of the proceeds from the District's General Obligation Bonds, Series of 2002, Series of 2003 and Series of 2004, which were issued for construction and improvements to various schools within the District.

Debt Service Fund - The Debt Service Fund is used to account for the payment of principal and interest related to the various outstanding General Obligation Bonds of the District.

The District reports the following major enterprise funds:

Food Service - The Food Service Fund is used to account for all financial transactions related to the food service activities of the District. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the District reports the following fund types:

Athletic Fund - The Athletic Fund is a non-major governmental fund used to account for all the financial activities of the athletic organizations.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

June 30, 2006

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

These include the Student Activities Funds, Trust Funds and the District's Earned Income Tax Office, which are both classified as Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

## 3. Basis of Presentation

## 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. Internal service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each identifiable activity of the business-type, and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

## Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities (whether current or noncurrent) associated with the operations of these funds are included on the balance sheet. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In both government-wide and governmental fund statements, taxes received that are "intended to finance" a future period are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statements of net assets and governmental funds balance sheet and revenue is recognized.

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on long-term debt, which is recorded when due, and (2) the costs related to compensated absences, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

5. Property Taxes

The School District levies taxes on July 1 based on assessed values established by Warren County. Taxes paid prior to October 1 are eligible for a 2% discount, and subject to a 10% penalty if paid after November 30.

The District levied real estate taxes of \$20,329,529 on July 1, 2005 based on a gross assessed valuation of \$441,946,287 at 46.0 mills. Taxes are collectible through May 1 each year. Subsequent to that date taxes are turned over to the Warren County Tax Claim Bureau and the property is lienied.

6. Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 31, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- b. Public hearings are conducted for twenty (20) days prior to the date set for adoption.
- c. Prior to June 30, the budget is legally enacted through passage of a resolution.
- d. The budget is adopted on the modified accrual basis of accounting.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or expenditures are all fixed in nature.
- f. The Business Manager is authorized to transfer budgeted amounts between functional areas within the fund, but such action shall be taken only during the last nine (9) months of the fiscal year. Any revisions that alter the total expenditures of the fund require School Board approval.
- g. Unencumbered appropriations lapse at year end.

7. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration.

8. Investments

Investments are reported at fair market value based on quoted market prices.

9. Inventory

This District's inventory consists of donated and purchased food of the Enterprise Fund. Purchased food is valued at cost while donated commodities are presented at market value figures provided by the federal government. The Enterprise Fund uses the consumption method of inventory. Under this method, inventory is charged to expenditures when used.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District defines capital assets as assets with an initial, individual cost of \$300 or more. Donated fixed assets are recorded at their fair market value as of the date received. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Buildings & Improvements	20-40 years
Machinery & Equipment	5-20 years

11. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenses/expenditures 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 and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered available and spendable resources and current obligations of the respective funds. These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which are presented as internal balances.

12. Compensated Absences

Unpaid sick and personal days accrue at a rate of \$8.00 to \$50.00 per day and are paid on separation from service. The entire compensated absences liability is reported in the government-wide financial statements.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

For governmental funds, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the appropriate fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available resources are not reported in the fund financial statements. Unpaid compensated absences consist of \$241,621 for unused vacation pay and \$956,735 for accumulated sick pay.

13. Accrued Liabilities and Long-Term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. Long-term debt paid from governmental funds are not recognized as a liability in the financial statements until due.

14. Concentration of Credit Risk

The District maintains various deposits presented on the balance sheet as cash and investments with several local banks. The amounts on deposit with certain banks exceed the \$100,000 federally insured limit. See Note B for further detail.

Also the District has amounts receivable arising from property tax delinquencies and levies. These amounts are due from citizens of Warren County, Pennsylvania and are, thus, subject to the economic conditions of this geographical area.

15. Estimates in Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Pension Plan Description

The Warren County School District contributes to the Public School Employees' Retirement System (the System), a Governmental cost-sharing multiple-employer defined benefit pension plan. The System provides retirement and disability, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA. C. S. 8101-8535) holds the authority to establish and amend benefit provisions. The system issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Barbara D. Flurie, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Most active members contribute at 5.25 or 6.50 percent of the member's qualifying compensation. Members joining the system on or after July 22, 1983 contribute at 6.25 or 7.50 percent. Members joining the system after June 30, 2001 contribute at 7.50 percent. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2006 the rate of employer contribution was 4.69 percent of covered payroll. The 4.69 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .69 percent for healthcare insurance premium assistance. The School District's contributions to the system for the years ending June 30, 2006, 2005 and 2004 were \$1,368,175, \$1,230,656 and \$1,169,582, respectively, equal to the required contributions for each year.

NOTE B - NON-POOLED CASH AND INVESTMENTS

The District's cash and investments consist of deposits with financial institutions and investments through brokers. The District's investment policies are governed by state statute and District policy. Permissible investments include United States treasury bills and other federal instruments, time accounts or share accounts of institutions insured by the Federal Deposit Insurance Corporation, certificates of deposit to the extent such certificates are secured by a proper bond or secured by such proper collateral.



Warren County School District

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B - NON-POOLED CASH AND INVESTMENTS - Continued

1. Deposits

Custodial credit risk is the risk that, in event of a bank failure, the District's deposits may not be returned. As of June 30, 2006, the bank balance of the District's deposits that are exposed to custodial credit risk is \$10,998,999 and their carrying amount is \$8,794,955. These amounts are uninsured. However, they are collateralized with securities held by the trust department or agent but not in the District's name.

2. Investments

As of June 30, 2006, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of Deposit	N/A	\$ 87,597
PLGIT	N/A	392,537
Mutual Funds	N/A	<u>213,384</u>
		<u>\$ 693,518</u>

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District has no investment policy that limits its choices to certain credit ratings. The District's investments in PGLIT were rated AAAM by Standard & Poor's. The District's investment in Northwest Savings Bank have not been rated.

Custodial Credit Risk - For an investment, custodial risk is the risk that, in the event of a bank failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, \$605,921 of the District's investments are held by the broker or dealer, or by its trust department or agent but not in the District's name.

Concentration of Credit Risk - The District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the District's investments are in PLGIT investments, various mutual funds held by the Trust Fund, and Northwest Savings Bank commercial paper. These investments are 56.60% ,30.77% and 12.63%, respectively, of the District's investments.