

**WARREN COUNTY SCHOOL DISTRICT
WARREN, PENNSYLVANIA**

SINGLE AUDIT REPORT

JUNE 30, 2009

WARREN COUNTY SCHOOL DISTRICT

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Members of the Board
Warren County School District
Warren, Pennsylvania

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 County School District as of and for the year ended June 30, 2009, 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 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 as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010 on our consideration of the Warren County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County School District's financial statements. The budgetary comparison schedule is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States 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 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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

May 10, 2010
Erie, Pennsylvania

WARREN COUNTY SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009. 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 2008-2009 include:

Total 2008-2009 general fund revenues amounted to \$68,548,121, compared to 2007-2008 total revenue of \$65,463,171. This represented a 4.71% increase in revenues.

The general fund expenses, including transfers, of the District amounted to \$ 67,103,560 in 2008-2009, compared to total expenses in 2007-2008 of \$ 65,030,892. This represented a 2.51% increase in expenses.

The General Fund Total Fund Balance at fiscal year ending 2008-2009 was \$8,637,399, which represented a favorable change of \$1,444,561 (20.08%) from the prior year's fund balance of \$7,192,838. Included in the Total Fund Balance is a designation of \$1,431,553 for 2009-2010 operations, \$850,000 for PSERS Retirement Contributions and \$500,000 for School Board and tax contingencies. The Unreserved-Undesignated Fund Balance of \$5,175,472 at fiscal year ending June 30, 2009 represented 7.712% of the total expenses in the fiscal year compared to the fund balance at fiscal year ended June 30, 2008, which represented 7.993% of the expenses for that period. Although the 2008-2009 approved fiscal budget projected the use of \$995,198 of the beginning fund balance to balance the budget, a significant increase in investment earnings, unanticipated grant revenues, along with implementing significant expenditure cost containment measures resulted in the \$1,444,561 increase to the beginning fund balance. The projected use of fund balance in the 2007-2008 year was budgeted at approximately \$1.276 million.

Again, as in the recent past, expenditures fell below original projections in a number of areas. Due to the receipt of unanticipated grants, cost containment measures, non-use of contingent budgetary reserve, and 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.

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 2008-2009.

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 2008-2009 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 2008-2009 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.
- **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.

The Statement of Net Assets provides the perspective of the School District taken as a whole. The School District total net assets were \$28,835,380 at June 30, 2009, compared to \$27,014,677 for 2008.

	2009 Governmental Activities	2009 Business Activities	Total	2008 Governmental Activities	2008 Business Activities	Total
Current	\$ 17,866,044	\$ (159,772)	\$ 17,706,272	\$ 15,960,441	\$ 179,020	\$ 16,139,461
Capital assets and other assets	41,315,377	447,934	41,763,311	41,996,618	246,304	42,242,922
Total Assets	<u>\$ 59,181,421</u>	<u>\$ 288,162</u>	<u>\$ 59,469,583</u>	<u>\$ 57,957,059</u>	<u>\$ 425,324</u>	<u>\$ 58,382,383</u>
Current and other liabilities	\$ 6,212,154	\$ 153,037	\$ 6,365,191	\$ 5,696,823	\$ 183,158	\$ 5,879,981
Long-term liabilities	24,269,012	-	24,269,012	25,487,725	-	25,487,725
Total Liabilities	<u>30,481,166</u>	<u>153,037</u>	<u>30,634,203</u>	<u>31,184,548</u>	<u>183,158</u>	<u>31,367,706</u>
Net Assets						
Invested in capital assets, net of related debt	16,600,377	447,934	17,048,311	15,063,446	246,304	15,309,750
Unrestricted	12,099,878	(312,809)	11,787,069	11,709,065	(4,138)	11,704,927
Total Net Assets	<u>28,700,255</u>	<u>135,125</u>	<u>28,835,380</u>	<u>26,772,511</u>	<u>242,166</u>	<u>27,014,677</u>
Total Liabilities & Net Assets	<u>\$ 59,181,421</u>	<u>\$ 288,162</u>	<u>\$ 59,469,583</u>	<u>\$ 57,957,059</u>	<u>\$ 425,324</u>	<u>\$ 58,382,383</u>

The following table shows the revenues, expenses and changes in net assets for fiscal years ended 2009 and 2008:

	2009 Governmental Activities	2009 Business- Type Activities	Total	2008 Governmental Activities	2008 Business- Type Activities	Total
Revenues						
Operating grants and contributions	\$ 45,330,093	\$ 961,738	\$ 46,291,831	\$ 40,173,974	\$ 1,012,265	\$ 41,186,239
Charges for services	65,511	857,558	923,069	39,524	820,602	860,126
General revenues						
Property taxes	19,602,866	-	19,602,866	21,594,439	-	21,594,439
Earned income and local services taxes	3,004,946	-	3,004,946	3,040,057	-	3,040,057
Other taxes	461,643	-	461,643	520,804	-	520,804
Interest earnings	387,286	-	387,286	606,593	2,194	608,787
Miscellaneous	-	-	-	121,970	95,987	217,957
Total Revenues	<u>68,852,345</u>	<u>1,819,296</u>	<u>70,671,641</u>	<u>66,097,361</u>	<u>1,931,048</u>	<u>68,028,409</u>
Expenses						
Instruction	41,552,290	-	41,552,290	38,490,254	-	38,490,254
Pupil personnel	1,175,847	-	1,175,847	1,250,272	-	1,250,272
Instructional student support and pupil health	2,867,018	-	2,867,018	2,716,398	-	2,716,398
Administrative/business support	4,846,560	-	4,846,560	4,552,324	-	4,552,324
Operation of plant	6,509,905	-	6,509,905	6,087,921	-	6,087,921
Student transportation	5,213,085	-	5,213,085	5,188,823	-	5,188,823
Central services	101,409	-	101,409	165,741	-	165,741
Student activities	1,172,298	-	1,172,298	1,160,154	-	1,160,154
Community services	20,185	-	20,185	20,367	-	20,367
Other	41,028	-	41,028	319,887	-	319,887
Interest on debt	947,680	-	947,680	955,051	-	955,051
Depreciation	2,477,296	-	2,477,296	2,734,386	-	2,734,386
Food services	-	1,926,337	1,926,337	-	1,942,987	1,942,987
Total Expenses	<u>66,924,601</u>	<u>1,926,337</u>	<u>68,850,938</u>	<u>63,641,578</u>	<u>1,942,987</u>	<u>65,584,565</u>
Increase (Decrease) In Net Assets	<u>\$ 1,927,744</u>	<u>\$ (107,041)</u>	<u>\$ 1,820,703</u>	<u>\$ 2,455,783</u>	<u>\$ (11,939)</u>	<u>\$ 2,443,844</u>

Governmental Activities

Governmental activities for 2008-2009 resulted in an increase in net assets of \$1,927,744. The increase resulted primarily from additional cost containment measures applied during 2008-2009 compared to the 2007-2008 fiscal year, as well as increases in state and federal grants. The cash flow of the District benefited significantly from an enhanced fund balance.

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.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS:

The analysis of the District's major funds begins on page 17. 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.

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), 34 percent; State and Federal revenues, 66 percent.

	2008-2009	2007-2008
Local Revenue	\$23,568,831 (34%)	\$25,530,160 (39%)
State Revenue	\$41,609,782 (61%)	\$36,968,793 (56%)
Federal & Other	\$ 3,369,508 (5%)	\$ 2,964,218 (5%)
TOTAL	\$68,548,121	\$65,463,171

General Fund Expenses

The District's program expenses are 61 percent instruction; 31 percent support; and 8 percent non-instructional (including debt payments and transfers).

	2008-2009	2007-2008
Instruction	\$41,037,693 (61%)	\$39,119,364 (60%)
Support Services	\$20,511,386 (31%)	\$20,222,524 (31%)
Non-Instruction & Debt	\$ 5,554,481 (8%)	\$ 5,689,004 (9%)
TOTAL	\$67,103,560	\$65,030,892

The 2008-2009 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:

	2008-2009
General Fund	\$8,637,399
Capital Reserve	\$3,136,946
Non-major Funds	\$ 5,231
Total	\$11,779,576

General Fund Budget Highlights

The \$68,548,121 of revenues in the general fund in 2008-2009 applied against the total general fund expenditure outlay of \$ 67,103,560 resulted in a net increase to the fund balance of \$1,444,561. Although the District recognizes a fund balance of \$8,637,399, it also realizes that a liability for **post-retirement benefits** (see Note 11 to the Auditors' Report) needs to be considered as a designation of that fund balance, that \$1,431,553 is included to fund 2009-2010 operating expenses, and \$1,350,000 is designated for other purposes (\$850,000 for PSERS retirement contributions and \$500,000 for Board contingencies).

Comparison of Transfer Out Accounts

	2008-2009	2007-2008
Contribution to Athletics	\$ 869,795	\$ 854,018
Contribution to Food Svc	\$ -	\$ 97,543
Contribution to Capital Resv	\$ 1,250,000	\$ 1,250,000
Debt Service Payments	\$ 3,174,640	\$ 3,231,720
TOTALS	\$ 5,294,435	\$ 5,433,281

Capital Asset and Debt Administration

At the end of fiscal year 2008-2009, the District had approximately \$41.3 million invested in land, buildings, equipment and construction-in-process (\$79.4 million, less accumulated depreciation of \$38.1 million).

Debt Administration

The existing bonds payable at June 30, 2009 totaled \$24,715,000. The debt payments for the fiscal year totaled \$3,174,639.

At June 30, 2009, the District's non-electoral limit for debt (225% of borrowing base) was \$148 million, less existing debt of \$ 24 million, leaves the District with a borrowing capacity of \$ 124 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 uncertain economic conditions upon government entitlement and subsidy revenues and the continued imposition of State and Federal mandates significantly inhibit the administration's resources. With continued projections for declining 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.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the financial resources it receives. If you have questions about the report or wish to request additional financial information, please contact J. Petter Turnquist, CPA; Business Administrator, 185 Hospital Drive, Warren, PA; telephone (814) 723-6903.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 2,890,998	\$ 852,380	\$ 3,743,378
Investments	6,038,039	-	6,038,039
Taxes receivable, net	3,758,955	-	3,758,955
Internal balances	1,215,472	(1,215,472)	-
Due from other governments	2,342,123	122,527	2,464,650
Other receivables	923,573	62,660	986,233
Inventories	-	6,819	6,819
Prepaid expenses	680,394	11,314	691,708
Other current assets	16,490	-	16,490
Total Current Assets	<u>17,866,044</u>	<u>(159,772)</u>	<u>17,706,272</u>
Noncurrent Assets			
Land and site improvements, net	1,444,053	-	1,444,053
Building and building improvements, net	34,758,688	-	34,758,688
Machinery and equipment, net	4,913,193	447,934	5,361,127
Construction in progress	199,443	-	199,443
Total Noncurrent Assets	<u>41,315,377</u>	<u>447,934</u>	<u>41,763,311</u>
Total Assets	<u><u>\$ 59,181,421</u></u>	<u><u>\$ 288,162</u></u>	<u><u>\$ 59,469,583</u></u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 1,538,629	\$ 152,693	\$ 1,691,322
Current portion of long-term debt	2,245,000	-	2,245,000
Accrued salaries and benefits	1,536,749	344	1,537,093
Payroll deductions and withholdings	522,112	-	522,112
Other current liabilities	369,664	-	369,664
Total Current Liabilities	<u>6,212,154</u>	<u>153,037</u>	<u>6,365,191</u>
Noncurrent Liabilities			
Bonds payable	22,470,000	-	22,470,000
Other post-employment benefits	1,021,287	-	1,021,287
Long-term portion of compensated absences	777,725	-	777,725
Total Noncurrent Liabilities	<u>24,269,012</u>	<u>-</u>	<u>24,269,012</u>
Total Liabilities	<u>30,481,166</u>	<u>153,037</u>	<u>30,634,203</u>
Net Assets			
Invested in capital assets net of debt	16,600,377	447,934	17,048,311
Unrestricted (deficit)	12,099,878	(312,809)	11,787,069
Total Net Assets	<u>28,700,255</u>	<u>135,125</u>	<u>28,835,380</u>
Total Liabilities and Net Assets	<u><u>\$ 59,181,421</u></u>	<u><u>\$ 288,162</u></u>	<u><u>\$ 59,469,583</u></u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular instruction	\$ 30,221,690	\$ 10,515	\$ 29,093,749	\$ -
Special instruction	9,384,880	19,116	8,970,024	-
Vocational instruction	1,462,686	-	1,393,201	-
Other instructional programs	483,034	26,925	462,958	-
Total Instructional Services	41,552,290	56,556	39,919,932	-
Support Services:				
Pupil personnel	1,175,847	-	144,133	-
Instructional staff	2,338,254	-	81,659	-
Administration	4,065,350	8,955	141,956	-
Pupil health	528,764	-	18,433	-
Business services	781,210	-	27,405	-
Operation and maintenance of plant services	6,509,905	-	508,868	-
Student transportation	5,213,085	-	4,440,976	-
Central	101,409	-	3,605	-
Other support services	41,028	-	1,458	-
Total Support Services	20,754,852	8,955	5,368,493	-
Non-instructional Services:				
Student activities	1,172,298	-	41,668	-
Community services	20,185	-	-	-
Scholarships and awards	-	-	-	-
Interest and long-term debt	947,680	-	-	-
Unallocated depreciation expense	2,477,296	-	-	-
Total Non-instructional Services	4,617,459	-	41,668	-
Total Governmental Activities	66,924,601	65,511	45,330,093	-
Business-Type Activities:				
Food service	1,926,337	857,558	961,738	-
Total	\$ 68,850,938	\$ 923,069	\$ 46,291,831	\$ -

The accompanying notes are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (1,117,426)	\$ -	\$ (1,117,426)
(395,740)	-	(395,740)
(69,485)	-	(69,485)
6,849	-	6,849
(1,575,802)	-	(1,575,802)
(1,031,714)	-	(1,031,714)
(2,256,595)	-	(2,256,595)
(3,914,439)	-	(3,914,439)
(510,331)	-	(510,331)
(753,805)	-	(753,805)
-	-	-
(6,001,037)	-	(6,001,037)
(772,109)	-	(772,109)
(97,804)	-	(97,804)
(39,570)	-	(39,570)
(15,377,404)	-	(15,377,404)
(1,130,630)	-	(1,130,630)
(20,185)	-	(20,185)
-	-	-
(947,680)	-	(947,680)
(2,477,296)	-	(2,477,296)
(4,575,791)	-	(4,575,791)
(21,528,997)	-	(21,528,997)
-	(107,041)	(107,041)
(21,528,997)	(107,041)	(21,636,038)

WARREN COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2009

(Continued)

General Revenues:

Taxes:

Property taxes, levied for general purposes, net

Earned income and local services taxes

Other taxes

Investment earnings

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Assets

Net Assets, Beginning

Net Assets, Ending

The accompanying notes are an integral part of these statements.

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ 19,829,686	\$ -	\$ 19,829,686
3,004,946	-	3,004,946
234,823	-	234,823
<u>387,286</u>	<u>-</u>	<u>387,286</u>
<u>23,456,741</u>	<u>-</u>	<u>23,456,741</u>
1,927,744	(107,041)	1,820,703
<u>26,772,511</u>	<u>242,166</u>	<u>27,014,677</u>
<u>\$ 28,700,255</u>	<u>\$ 135,125</u>	<u>\$ 28,835,380</u>

WARREN COUNTY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2009

	General Fund	Capital Reserve	Debt Service
Assets			
Cash and cash equivalents	\$ 911,036	\$ 1,979,962	\$ -
Investments	6,032,808	-	-
Taxes receivable, net	3,605,621	-	-
Due from other funds	-	1,226,230	-
Due from proprietary fund	1,215,472	-	-
Due from other governments	2,342,123	-	-
Other receivables	923,045	87	-
Prepaid expenses	680,394	-	-
Other current assets	16,489	-	-
	<u>\$ 15,726,988</u>	<u>\$ 3,206,279</u>	<u>\$ -</u>
Total Assets			
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ 1,235,212	\$ -	\$ -
Accounts payable	1,459,872	69,333	-
Accrued salaries and benefits	1,201,426	-	-
Payroll deductions and withholdings	522,112	-	-
Deferred revenues	2,539,830	-	-
Other current liabilities	131,137	-	-
	<u>7,089,589</u>	<u>69,333</u>	<u>-</u>
Total Liabilities			
Fund Balances			
Reserve for prepaid expenses	680,394	-	-
Reserve for capital projects	-	3,136,946	-
Specific fund balance reserves	2,781,533	-	-
Unreserved - undesignated	5,175,472	-	-
	<u>8,637,399</u>	<u>3,136,946</u>	<u>-</u>
Total Fund Balances			
Total Liabilities and Fund Balances	<u>\$ 15,726,988</u>	<u>\$ 3,206,279</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Nonmajor Funds	Total Governmental Funds
\$ 5,231	\$ 2,896,229
-	6,032,808
-	3,605,621
8,982	1,235,212
-	1,215,472
-	2,342,123
440	923,572
-	680,394
-	16,489
<u>\$ 14,653</u>	<u>\$ 18,947,920</u>

\$ -	\$ 1,235,212
9,422	1,538,627
-	1,201,426
-	522,112
-	2,539,830
-	131,137
<u>9,422</u>	<u>7,168,344</u>
-	680,394
5,231	3,142,177
-	2,781,533
-	5,175,472
<u>5,231</u>	<u>11,779,576</u>
<u>\$ 14,653</u>	<u>\$ 18,947,920</u>

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WARREN COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Total fund balances - governmental funds	\$ 11,779,576
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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 \$79,423,897, and the accumulated depreciation is \$38,108,520	41,315,377
---	------------

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	2,539,830
---	-----------

Allowance for doubtful accounts - taxes receivable	(141,667)
--	-----------

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	\$ (24,715,000)	
Accrued interest on the bonds	(238,526)	
Other post-employment benefits	(1,021,287)	
Compensated absences	(1,113,048)	(27,087,861)

Other:

Earned income tax receivable from self-employed individuals	295,000
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Total Net Assets - Governmental Activities	\$ 28,700,255
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The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Debt Service</u>
Revenues			
Local sources			
Property taxes	\$ 19,602,866	\$ -	\$ -
Income and other taxes	3,235,266	-	-
Other local sources	730,699	313,623	-
State sources	41,609,782	-	-
Federal sources	3,369,508	-	-
Total Revenues	<u>68,548,121</u>	<u>313,623</u>	<u>-</u>
Expenditures			
Instruction	41,037,693	-	-
Support services	20,511,386	-	-
Noninstructional services	259,366	-	1,350
Capital outlay	-	1,565,113	-
Bond issue costs	-	-	115,038
Debt service (principal and interest)	-	-	13,206,752
Total Expenditures	<u>61,808,445</u>	<u>1,565,113</u>	<u>13,323,140</u>
Excess (deficiency) of revenues over expenditures	<u>6,739,676</u>	<u>(1,251,490)</u>	<u>(13,323,140)</u>
Other Financing Sources (Uses)			
Bond proceeds	-	-	10,000,000
Bond Premium	-	-	148,000
Interfund transfers	(5,294,435)	1,250,000	3,174,640
Refunds of prior year receipts	(680)	-	-
Total Other Financing Sources (Uses)	<u>(5,295,115)</u>	<u>1,250,000</u>	<u>13,322,640</u>
Net Change in Fund Balances	1,444,561	(1,490)	(500)
Fund Balance, July 1, 2008	<u>7,192,838</u>	<u>3,138,436</u>	<u>500</u>
Fund Balance, June 30, 2009	<u><u>\$ 8,637,399</u></u>	<u><u>\$ 3,136,946</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

Nonmajor Funds	Total Governmental Funds
\$ -	\$ 19,602,866
-	3,235,266
43,946	1,088,268
19,459	41,629,241
-	3,369,508
<u>63,405</u>	<u>68,925,149</u>
-	41,037,693
-	20,511,386
933,116	1,193,832
-	1,565,113
-	115,038
-	13,206,752
<u>933,116</u>	<u>77,629,814</u>
<u>(869,711)</u>	<u>(8,704,665)</u>
-	10,000,000
-	148,000
869,795	-
-	(680)
<u>869,795</u>	<u>10,147,320</u>
84	1,442,655
<u>5,147</u>	<u>10,336,921</u>
<u>\$ 5,231</u>	<u>\$ 11,779,576</u>

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, 2009

Total net change in fund balances - governmental funds \$ 1,442,655

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	\$ (2,477,296)	
Capital outlays	<u>1,796,057</u>	(681,239)

The proceeds from the issue of bonds and bond premiums are recorded as other financing sources in the governmental funds. However, in the government-wide statements, these are recorded as increases in liabilities (10,148,000)

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. (38,893)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 12,320,000

Other:

Change in self-employment taxes receivable	820	
Change in allowance for doubtful accounts	(20,204)	
Change in other post-employment benefits	(1,021,287)	
Change in miscellaneous receivables	35,791	
Change in accrued interest payable	<u>38,101</u>	<u>(966,779)</u>

Change in Net Assets of Governmental Activities \$ 1,927,744

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local revenues	\$ 23,486,928	\$ 22,948,936	\$ 23,568,831	\$ 619,895
State program revenues	40,431,401	41,140,767	41,609,782	469,015
Federal program revenues	3,317,056	3,317,056	3,369,508	52,452
Total Revenues	67,235,385	67,406,759	68,548,121	1,141,362
Expenditures				
Regular programs	30,641,592	30,887,396	29,911,351	976,045
Special programs	7,233,125	9,126,551	9,221,474	(94,923)
Vocational programs	3,133,987	1,405,867	1,432,045	(26,178)
Other instructional programs	286,593	281,060	472,821	(191,761)
Pupil personnel services	1,349,029	1,349,029	1,155,421	193,608
Instructional staff services	2,541,138	2,631,291	2,297,403	333,888
Administrative services	3,938,082	3,950,796	3,993,860	(43,064)
Pupil health	488,987	505,987	518,551	(12,564)
Business services	797,828	942,308	770,997	171,311
Operation and maintenance of plant services	6,567,908	6,567,908	6,387,351	180,557
Student transportation services	4,865,929	4,865,929	5,213,085	(347,156)
Central and other support services	173,835	151,371	101,409	49,962
Media services	90,000	90,000	73,310	16,690
Student activities	239,193	239,193	239,182	11
Community services	13,495	14,764	20,185	(5,421)
Debt service	3,019,544	3,019,544	3,174,640	(155,096)
Total Expenditures	65,380,265	66,028,994	64,983,085	1,045,909
Excess (deficiency) of revenues over expenditures	1,855,120	1,377,765	3,565,036	2,187,271
Other Financing Sources (Uses)				
Fund transfers	(2,277,233)	(2,277,233)	(2,119,795)	(157,438)
Budgetary reserve	(673,085)	(464,484)	(680)	(463,804)
Total Other Financing Sources (Uses)	(2,950,318)	(2,741,717)	(2,120,475)	(621,242)
Net Change in Fund Balances	(1,095,198)	(1,363,952)	1,444,561	2,808,513
Fund Balance - July 1, 2008	5,484,478	5,484,478	7,192,838	1,708,360
Fund Balance - June 30, 2009	\$ 4,389,280	\$ 4,120,526	\$ 8,637,399	\$ 4,516,873

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Assets

Proprietary Funds

June 30, 2009

	<u>Food Service</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 852,380
Due from other governments	122,527
Other receivables	62,660
Other current assets	11,314
Inventories	<u>6,819</u>
Total Current Assets	<u>1,055,700</u>
Noncurrent Assets	
Machinery and equipment, net	<u>447,934</u>
Total Noncurrent Assets	<u>447,934</u>
Total Assets	<u><u>\$ 1,503,634</u></u>
Liabilities and Net Assets	
Current Liabilities	
Due to other funds	\$ 1,215,472
Accrued salaries and benefits	344
Accounts payable	<u>152,693</u>
Total Current Liabilities	<u>1,368,509</u>
Total Liabilities	<u>1,368,509</u>
Net Assets	
Invested in capital assets, net of debt	447,394
Unrestricted	<u>135,125</u>
Total Net Assets	<u>582,519</u>
Total Liabilities and Net Assets	<u><u>\$ 1,951,028</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, 2009

	<u>Food Service</u>
Operating Revenues:	
Food service revenue	
Charges for services	\$ 857,558
Total Operating Revenues	<u>857,558</u>
Operating Expenses:	
Salaries	536,365
Employee benefits	261,683
Other purchased services	1,057,158
Supplies	1,828
Depreciation	33,000
Other operating expenditures	<u>36,303</u>
Total Operating Expenses	<u>1,926,337</u>
Operating Income (Loss)	<u>(1,068,779)</u>
Nonoperating Revenues (Expenses)	
State sources	90,472
Federal sources	<u>871,266</u>
Total Nonoperating Revenues (Expenses)	<u>961,738</u>
Change in Net Assets	(107,041)
Net Assets, July 1, 2008	<u>242,166</u>
Net Assets, June 30, 2009	<u><u>\$ 135,125</u></u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Combined Statement of Cash Flows -
Proprietary Fund Type
June 30, 2009

	<u>Food Service</u>
Cash Flows From Operating Activities	
Cash received from users	\$ 803,794
Cash payments to employees for services	(798,048)
Cash payments to suppliers for goods and services	(105,472)
Cash payments for other operating expenses	<u>(36,303)</u>
Net Cash Provided By (Used For) Operating Activities	<u>(136,029)</u>
Cash Flows From Non-Capital Financing Activities	
State sources	90,335
Federal sources	<u>867,589</u>
Net Cash Provided By (Used For) Non-Capital Financing Activities	<u>957,924</u>
Cash Flows From Capital and Related Financing Activities	
Equipment purchase	<u>(14,108)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(14,108)</u>
Net Increase (Decrease) in Cash and Cash Flows	807,787
Cash and Cash Equivalents at Beginning of Year	<u>44,593</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 852,380</u></u>
Reconciliation of Operating Income to Net Cash (Used For) Operating Activities	
Operating Income (Loss)	<u>\$ (1,268,779)</u>
Depreciation and net amortization	33,000
(Increase) decrease in accounts receivable	(53,764)
(Increase) decrease in prepaid expenses	(11,315)
Increase (decrease) in accounts payable	148,893
(Decrease) increase in accrued salaries and benefits	346
Increase (decrease) in advances from other funds	<u>1,015,590</u>
Total Adjustments	<u>1,132,750</u>
Cash Provided By (Used For) Total	<u><u>\$ (136,029)</u></u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT

Statement of Net Assets - Fiduciary Funds

June 30, 2009

	Agency Funds			
	Student	Earned Income		
	Activities	Tax Office	Trust Funds	Total
Assets				
Cash and cash equivalents	\$ 155,110	\$ 1,088,780	\$ 36,351	\$ 1,280,241
Investments	-	-	173,865	173,865
Total Assets	<u>\$ 155,110</u>	<u>\$ 1,088,780</u>	<u>\$ 210,216</u>	<u>\$ 1,454,106</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	<u>\$ 155,110</u>	<u>\$ 1,088,780</u>	<u>\$ -</u>	<u>\$ 1,243,890</u>
Total Liabilities	<u>155,110</u>	<u>1,088,780</u>	<u>-</u>	<u>1,243,890</u>
Net Assets				
Restricted for legal purposes	<u>-</u>	<u>-</u>	<u>210,216</u>	<u>210,216</u>
Total Net Assets	<u>-</u>	<u>-</u>	<u>210,216</u>	<u>210,216</u>
Total Liabilities and Net Assets	<u>\$ 155,110</u>	<u>\$ 1,088,780</u>	<u>\$ 210,216</u>	<u>\$ 1,454,106</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, 2009

	<u>Trust Funds</u>
Additions	
Gifts and contributions	\$ 8,680
Earnings/(loss) on investments	<u>(36,189)</u>
	<u>(27,509)</u>
Deductions	
Scholarships awarded	<u>(3,393)</u>
Change in Net Assets	(30,902)
Net Assets, July 1, 2008	<u>241,118</u>
Net Assets, June 30, 2009	<u><u>\$ 210,216</u></u>

The accompanying notes are an integral part of these statements.

WARREN COUNTY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2009

NOTE 1 - 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.

A. Financial Reporting Entity

For financial reporting purposes, 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 School District is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District to finance any deficits that may occur, or receipt of significant subsidies from the School District, and reporting responsibility of the entity in question.

The School 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.

B. 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 School 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

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.

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

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 government reports the following major enterprise funds:

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 funds:

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

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.

These include the Student Activity Funds, Trust Funds, and the District's Earned Income Tax Office. The student activity funds and the earned income tax office are both classified as Agency Funds as they are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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 reported 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

D. 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.

Non-exchange 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 non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified 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 statements 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

E. 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. Under Act 1 of 2006, taxpayers may pay their taxes in three installments beginning August 31.

The District levied real estate taxes of \$18,627,806 on July 1, 2008 based on a gross taxable valuation of \$396,336,298 at 47.0 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 liened.

F. 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.
- 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

G. 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.

H. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all temporary investments with initial maturities of three months or less to be cash equivalents.

I. Investments

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

J. Inventory

The 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.

K. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	<u>Life - Years</u>
Buildings and improvements	20-40
Machinery and equipment	5-20

L. 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 non-operating 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.

M. 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.

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 \$853,002 for unused sick pay and \$260,046 for accumulated vacation pay.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 is not recognized as a liability in the financial statements until due.

O. 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 \$250,000 federally insured limit.

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.

P. 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.

Q. 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, P.O. Box 125, Harrisburg, PA 17108-0125.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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% of the member's qualifying compensation. Members joining the system on or after July 22, 1983 contribute 6.25% or 7.50%. Members joining the system after June 30, 2001 contribute at 7.50%. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2009, the rate of employer contribution was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.0% for pension benefits and .76% for healthcare insurance premium assistance. The School District's contributions to the system for the years ending June 30, 2009, 2008 and 2007 were \$1,698,783, \$1,916,408 and \$1,858,833, respectively, equal to the required contributions for each year.

NOTE 2 - 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, and certificates of deposit to the extent such certificates are secured by a proper bond or secured by such proper collateral.

A. 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, 2009, the bank balance of the District's deposits that are exposed to custodial credit risk is \$5,861,295 and their carrying amount is \$3,743,378. These amounts are uninsured. However, they are collateralized with securities held by the trust department or agent but not in the District's name.

Reconciliation to Financial Statements

Insured amount	\$ 370,972
Uninsured and collateralized held by the pledging bank's Trust Department not in the District's name	5,861,295
Plus: Deposits in transit	8,378
Less: outstanding checks	(2,504,267)
Ending amount of cash in banks	3,736,378
Plus: petty cash	7,000
Total cash per financial statements	<u>\$ 3,743,378</u>

NOTE 2 - NON-POOLED CASH AND INVESTMENTS (CONTINUED)

B. Investments

As of June 30, 2009, the District had the following investments:

Investment	Maturities	Fair Value
Certificates of Deposit	N/A	\$1,898,867
UBS Treasury Investor Fund	N/A	481,241
PLGIT Money Market Funds	N/A	5,227
UBS Money Market Funds	N/A	1,276,519
Freddie Mac Notes	11/03/2009	253,828
Federal Farm Credit Bank	12/16/2009	201,462
Federal Home Loan Bank	Various	948,986
Federal Home Loan Mortgage Corporation (FHLMC)	12/15/2009	259,220
Federal National Mortgage Association (FNMA)	Various	712,685
		<u>\$6,038,035</u>

Investments in investment securities, Mutual Funds and other pooled and fixed income funds include the following:

Investment	S&P	Moody's	Fitch
UBS Treasury Investor Fund	AAAm	Aaa	N/A
UBS Money Market Funds	N/A	N/A	N/A
Freddie Mac Notes	AAA	Aaa	N/A
Federal Farm Credit Bank	AAA	Aaa	AAA
Federal Home Loan Bank	N/A	AAA	AAA
FHLMC	N/A	AAA	N/A
FNMA	N/A	AAA	N/A

N/A = Not available or not rated.

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 investment policy does limit investments to those allowed by the Pennsylvania School Code.

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, 2009, all 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.

NOTE 3 - TAXES RECEIVABLE

Taxes receivable consist of the following at June 30, 2009:

	Government- Wide Statements	Fund Statements
Delinquent real estate taxes	\$ 3,541,651	\$ 3,541,651
Delinquent per capita	63,970	63,970
Earned income tax	295,000	-
Allowance for doubtful accounts	(141,666)	-
	<u>\$ 3,758,955</u>	<u>\$ 3,605,621</u>

In accordance with the modified accrual basis of accounting, the above has been recognized as revenue only to the extent that they are measurable and available. Accordingly, \$2,539,830 of the delinquent real estate taxes deemed not available as of June 30, 2009 has been recorded as deferred revenue on the governmental funds balance sheet.

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governments consist of the following:

	General Fund	Food Service Fund	Total
Federal	\$ 704,111	\$ 11,477	\$ 715,588
State	1,638,012	111,050	1,749,062
	<u>\$ 2,342,123</u>	<u>\$ 122,527</u>	<u>\$ 2,464,650</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund receivables and payables on the fund statements at June 30, 2009 consist of the following:

	Interfund Receivable	Interfund Payable
General fund	\$ 1,215,472	\$ 1,235,212
Capital Reserve fund	1,226,230	-
Athletic fund	8,982	-
Food Service fund	-	1,215,472
	<u>\$2,450,684</u>	<u>\$2,450,684</u>

NOTE 5 - INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers on the fund statements at June 30, 2009 consist of the following:

	Transfer In	Transfer Out
General fund	\$ -	\$5,294,435
Capital Reserve fund	1,250,000	-
Debt Service fund	3,174,640	-
Athletic fund	869,795	-
	<u>\$5,294,435</u>	<u>\$5,294,435</u>

The purpose of the transfer from the General Fund to the Debt Service Fund was to make principal and interest payments related to the District's outstanding General Obligation Bonds. The transfers from the General Fund to the Athletic Fund and the Capital Reserve Fund were made to fund activities and certain repairs and maintenance of the District's buildings and facilities.

NOTE 6 - CAPITAL ASSETS

A summary of capital asset activity during the year is as follows:

	June 30, 2008	Additions	Deletions	June 30, 2009
Governmental Activities				
Capital assets not depreciated:				
Construction in progress	\$ 504,324	\$ 211,231	\$ 516,112	\$ 199,443
Land	466,365	-	-	466,365
Total capital assets not depreciated	<u>970,689</u>	<u>211,231</u>	<u>516,112</u>	<u>665,808</u>
Capital assets depreciated:				
Buildings and improvements	\$ 61,588,661	\$ 1,720,788	\$ -	\$ 63,309,449
Furniture and equipment	20,513,803	380,150	5,445,311	15,448,642
Total Assets Depreciated	<u>82,102,464</u>	<u>2,100,938</u>	<u>5,445,311</u>	<u>78,758,091</u>
Less accumulated depreciation				
Buildings and improvements	(26,203,870)	(1,369,203)	-	(27,573,073)
Furniture and equipment	(14,872,665)	(1,108,093)	5,445,311	(10,535,447)
Total Accumulated Depreciation	<u>(41,076,535)</u>	<u>(2,477,296)</u>	<u>5,445,311</u>	<u>(38,108,520)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 41,025,929</u>	<u>\$ (376,358)</u>	<u>\$ -</u>	<u>\$ 40,649,571</u>
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$ 928,381	\$ 231,630	\$ -	\$ 1,160,011
Less: accumulated depreciation	(679,077)	(33,000)	-	(712,077)
Total Capital Assets Being Depreciated, Net	<u>\$ 249,304</u>	<u>\$ 198,630</u>	<u>\$ -</u>	<u>\$ 447,934</u>

NOTE 7 - OTHER CURRENT LIABILITIES

Other current liabilities on the statement of net assets consist of the following:

Accrued interest payable	\$ 238,527
Retirees prepaid health insurance	<u>131,137</u>
	<u>\$ 369,664</u>

NOTE 8 - NONCURRENT LIABILITIES

A. General Obligation Bonds

The General Obligation Bonds consist of the following as of June 30, 2009:

Series of 2002

The Series of 2002 bonds were issued on November 15, 2002 in the amount of \$10,000,000. The bonds mature serially at various amounts through September 1, 2017 and bear interest ranging from 1.6% to 4.1%. These bonds were issued to provide resources for construction and improvement projects at various schools in the District.

Series of 2003

The Series of 2003 bonds were issued on June 15, 2003 in the amount of \$10,000,000. The bonds mature serially at various amounts through September 1, 2023 and bear interest ranging from 2.00% to 4.15%. These bonds were issued to provide resources for construction and improvement projects at various schools in the District.

Series of 2004

The Series of 2004 bonds were issued on April 15, 2004 in the amount of \$7,930,000. The bonds mature serially at various amounts through November 15, 2018 and bear interest ranging from 2.00% to 3.75%. These bonds were issued to provide resources to refund the Series of 1998 bonds and for the acquisition and installation of technology equipment at the various District facilities.

Series of 2008

The Series of 2008 bonds were issued on October 31, 2008 in the amount of \$10,000,000. The bonds mature serially at various amounts through September 1, 2017 and bear interest ranging from 3.00% to 3.50%. The bonds were issued to retire the 2001 bonds and a portion of the 2002 bonds.

NOTE 8 - NONCURRENT LIABILITIES (CONTINUED)

B. Lease Obligations

The District leases its office space under a lease agreement expiring in 2009. The District has the option of renewing the lease annually and is expected to do so in future years. The terms of the lease call for annual rental payments of \$1 and monthly utility charges of \$6,708.

The changes in noncurrent liabilities for the year ended June 30, 2009 consist of the following:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009	Due in One Year
General Obligation Bonds, Series of					
2001	\$ 4,415,000	\$ -	\$ 4,415,000	\$ -	\$ -
2002	7,765,000	-	6,915,000	850,000	680,000
2003	8,620,000	-	420,000	8,200,000	430,000
2004	6,235,000	-	570,000	5,665,000	585,000
2008	-	10,000,000	-	10,000,000	550,000
	<u>27,035,000</u>	<u>10,000,000</u>	<u>12,320,000</u>	<u>24,715,000</u>	<u>2,245,000</u>
Compensated Absences					
Sick pay	853,002	86,171	86,171	853,002	86,171
Vacation pay	<u>260,046</u>	<u>249,152</u>	<u>249,152</u>	<u>260,046</u>	<u>249,152</u>
	<u>1,113,048</u>	<u>335,323</u>	<u>335,323</u>	<u>1,113,048</u>	<u>335,323</u>
	28,148,048	10,335,323	12,655,323	25,828,048	<u>2,580,323</u>
Less: Current Portion	<u>2,660,323</u>	<u>-</u>	<u>80,000</u>	<u>2,580,323</u>	
Total Noncurrent Liabilities	<u>\$ 25,487,725</u>	<u>\$10,335,323</u>	<u>\$12,575,323</u>	<u>\$23,247,725</u>	

The following is a summary of future debt service requirements to maturity for General Obligation Bonds:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2,245,000	802,977	3,047,977
2011	2,535,000	727,920	3,262,920
2012	2,605,000	647,908	3,252,908
2013	2,690,000	565,437	3,255,437
2014	2,775,000	478,199	3,253,199
2015-2019	8,625,000	1,365,720	9,990,720
2020-2024	<u>3,240,000</u>	<u>341,179</u>	<u>3,581,179</u>
	<u>24,715,000</u>	<u>4,929,340</u>	<u>29,644,340</u>

NOTE 9 - DESIGNATED FUND BALANCE

The School District has designated \$2,974,561 of its unreserved fund balance at June 30, 2009. The purpose of the designations is to provide \$1,431,533 for 2009-2010 operations, expected future retirement contribution increases in the amount of \$850,000, and to provide resources for District goals and tax contingencies in the amount of \$500,000.

NOTE 10 - CHANGES IN AGENCY FUNDS

The changes in agency funds consist of the following:

	Balance at June 30, 2008	Increases	Decreases	Balance at June 30, 2009
Tax Collection fund	\$ 1,133,909	\$ 9,483,009	\$ 9,528,138	\$ 1,088,780
Student Activity funds	154,325	511,268	510,483	155,110
	<u>\$ 1,288,234</u>	<u>\$ 9,994,277</u>	<u>\$ 10,038,621</u>	<u>\$ 1,243,890</u>

NOTE 11 - POST-EMPLOYMENT BENEFITS

Plan Description

In addition to the Pension benefits described in Note 1, the School District provides post-employment health insurance and prescription drug benefits through a single-employee defined benefit plan. The benefits are established in accordance with the requirements set forth by the School Board and Pennsylvania Act 110. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the plan is reported in the School District's General Fund. The School District has implemented GASB 45 prospectively in the year ended June 30, 2009.

Benefit coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2009, 147 retired employees are covered under the Plan. The School District's expenses for benefits were \$1,188,219 in the year ended June 30, 2009.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium depending on the level of coverage. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the earlier of the death of the retiree or Medicare eligibility.

NOTE 11 - POST-EMPLOYMENT BENEFITS (CONTINUED)

The School District's annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual required contribution (ARC)	\$ 2,209,506
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost	<u>2,209,506</u>
Contribution made	<u>(1,188,219)</u>
Increase in net OPEB obligation	1,021,287
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 1,021,287</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 2,209,506	53.8%	\$ 1,021,287
June 30, 2008	N/A	N/A	N/A
June 30, 2007	N/A	N/A	N/A

N/A - not applicable, 2009 is implementation year for GASB Statement No. 45.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 11 - POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The ARC for the current year was computed as of July 1, 2009 using the following actuarial assumptions: (1) actuarial cost method entry age normal; (2) interest rate 4.5%; (3) salary increases are composed of a 3% cost of living adjustment, one % real wage growth and merit increases for teacher and administrators between .25% and 3%; (4) retiree contributions to increase at the same rate as the Health Care cost trend rate; (5) the Health Care cost trend rate is 9.0% in 2009, decreasing to an ultimate rate of 5% in 2014 and later; (6) amortization is based on level dollar, thirty year open period.

The schedule of funding progress for the post-employment benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2009	\$ -	\$ 20,871,113	\$ 20,871,113	0.00%	\$ 35,688,718	58%
July 1, 2008	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 2007	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not applicable

NOTE 12 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees for which the District purchases commercial insurance. Settled claims have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to prior years.

NOTE 13 - CONTINGENT LIABILITIES

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the District believes such amounts to be immaterial. The District may also be subject to claims by creditors, employees or others. The District does not believe that liabilities arising from such claims, if any, are significant and have no accrual for such claims has been made.

WARREN COUNTY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Funds

June 30, 2009

	Capital Projects	Athletic Fund	Total NonMajor Funds
Assets			
Cash and cash equivalents	\$ 5,231	\$ -	\$ 5,231
Investments	-	-	-
Taxes receivable, net	-	-	-
Due from other funds	-	8,982	8,982
Due from proprietary fund	-	-	-
Due from other governments	-	-	-
Due from primary government	-	-	-
Due from component units	-	-	-
Other receivables	-	440	440
Advances to other funds	-	-	-
Inventories	-	-	-
Prepaid expenses	-	-	-
Other current assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 5,231</u>	<u>\$ 9,422</u>	<u>\$ 14,653</u>
Liabilities and Fund Balances			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Accounts payable	-	9,422	9,422
Contracts payable	-	-	-
Current portion of long-term debt	-	-	-
Accrued salaries and benefits	-	-	-
Payroll deductions and withholdings	-	-	-
Advances from other funds	-	-	-
Deferred revenues	-	-	-
Other current liabilities	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>9,422</u>	<u>9,422</u>
Fund Balances			
Standard Fund Balance Reserves			
Reserve for inventories	-	-	-
Reserve for prepaid expenses	-	-	-
Reserve for encumbrances	-	-	-
Reserve for retirement of long-term debt	-	-	-
Reserve for capital projects	5,231	-	5,231
Reserve for other	-	-	-
Specific fund balance reserves	-	-	-
Unreserved - designated	-	-	-
Unreserved - undesignated	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>5,231</u>	<u>-</u>	<u>5,231</u>
Total Liabilities and Fund Balances	<u>\$ 5,231</u>	<u>\$ 9,422</u>	<u>\$ 14,653</u>

WARREN COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds
For the Year Ended June 30, 2009

	Capital Projects	Athletic Fund	Total Nonmajor Funds
Revenues			
Local sources	\$ 84	\$ 43,862	\$ 43,946
State sources	-	19,459	19,459
Federal sources	-	-	-
	<u>84</u>	<u>63,321</u>	<u>63,405</u>
Total Revenues			
	<u>84</u>	<u>63,321</u>	<u>63,405</u>
Expenditures			
Instruction	-	-	-
Support services	-	-	-
Noninstructional services	-	933,116	933,116
Capital outlay	-	-	-
Bond issue costs	-	-	-
Debt service (principal and interest)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures			
	<u>-</u>	<u>933,116</u>	<u>933,116</u>
Excess (deficiency) of revenues over expenditures	<u>84</u>	<u>(869,795)</u>	<u>(869,711)</u>
Other Financing Sources (Uses)			
Bond proceeds	-	-	-
Refunding bond proceeds	-	-	-
Interfund transfers	-	869,795	869,795
Sale/compensation for fixed assets	-	-	-
Refunds of prior year expenditures	-	-	-
Operating transfers in (other LEAs)	-	-	-
Debt service (payment to refunded bond escrow agent)	-	-	-
Refunds of prior year receipts	-	-	-
Operating transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
	<u>-</u>	<u>869,795</u>	<u>869,795</u>
Net Change in Fund Balances	84	-	84
Fund Balance, July 1, 2008	<u>5,147</u>	<u>-</u>	<u>5,147</u>
Fund Balance, June 30, 2009	<u>\$ 5,231</u>	<u>\$ -</u>	<u>\$ 5,231</u>

The accompanying notes are an integral part of these financial statements.

WARREN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Thru Grantor's Number	Grant Period Beginning/ Ending Date
<u>U.S. Department of Education</u>				
Passed Through the Pennsylvania Department of Education				
Title I	I	84.010	13-070-459	7/1/07 - 9/30/08
Title I	I	84.010	13-08-0459	7/9/08 - 9/30/09
Title V Innovative Education	I	84.298	11-07-0459	7/1/07 - 9/30/08
Secondary Allocations	I	84.048	380-07-7074	8/14/07 - 6/30/08
Secondary Allocations	I	84.048	380-08-8028	8/13/08 - 6/30/09
Title II Improving Teacher Quality	I	84.367	20-07-0459	7/1/07 - 9/30/08
Title II Improving Teacher Quality	I	84.367	20-08-0459	7/9/08 - 9/30/10
Drug Free School Formula	I	84.186	100-08-0459	9/10/08 - 9/30/09
Passed Through Northwest Tri-County I.U. #5 Special Education Cluster				
IDEA Grant - Part B	I	84.027	062-07-0005	7/1/09 - 6/30/08
IDEA Grant - Part B	I	84.027	062-08-0005	7/1/08 - 6/30/09

The accompanying notes are an integral part of this schedule.

<u>Grant Amount</u>	<u>Total Received for the Year</u>	<u>Accrued/ (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue at June 30, 2009</u>
\$ 1,356,537	\$ 60,937	\$ 60,937	\$ -	\$ -	\$ -
1,817,317	1,327,264	-	1,786,404	1,786,404	459,140
11,693	3,778	2,077	1,701	1,701	-
94,081	33,822	33,822	-	-	-
93,135	-	-	-	-	-
353,918	141,567	11,961	129,606	129,606	-
363,239	217,944	-	341,042	341,042	123,098
25,652	-	-	23,326	23,326	23,326
	<u>\$ 1,785,312</u>	<u>\$ 108,796</u>	<u>\$ 2,282,079</u>	<u>\$ 2,282,079</u>	<u>\$ 605,564</u>
1,056,766	\$ 154,643	\$ 154,643	\$ -	\$ -	
847,214	<u>847,214</u>		<u>847,214</u>	<u>847,214</u>	<u>\$ -</u>
	<u>\$ 1,001,857</u>	<u>\$ 154,643</u>	<u>\$ 847,214</u>	<u>\$ 847,214</u>	<u>\$ -</u>

Schedule continued on next page.

WARREN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009
(Continued)

Grantor Program Title	Source Code	Federal CFDA Number	Pass-Thru Grantor's Number	Grant Period Beginning/ Ending Date
<u>U.S. Department of Agriculture</u>				
Passed Through the Pennsylvania Department of Education				
Nutrition Cluster				
National School Lunch	I	10.555	N/A	7/1/07 - 6/30/08
National School Lunch	I	10.555	N/A	7/1/08 - 6/30/09
National School Lunch	I	N/A	N/A	7/1/07 - 6/30/08
National School Lunch	I	N/A	N/A	7/1/08 - 6/30/09
National School Breakfast	I	10.553	N/A	7/1/07 - 6/30/08
National School Breakfast	I	10.553	N/A	7/1/08 - 6/30/09
National School Breakfast	I	N/A	N/A	7/1/07 - 6/30/08
National School Breakfast	I	N/A	N/A	7/1/08 - 6/30/09
Less: State share				
Passed Through the Pennsylvania Department of Agriculture				
Value USDA Donated Food	I	10.555	N/A	7/1/08 - 6/30/09
Passed Through Warren County Schools and Roads Cluster				
Schools/Roads - Grants/State	I	10.665	N/A	10/1/07 - 9/30/08
Total U.S. Department of Agriculture				
Total Federal Awards				

Source Code: D Direct Funding I Indirect Funding
Funding Source: F Federal Share S State Share

The accompanying notes are an integral part of this schedule.

<u>Grant Amount</u>	<u>Total Received for the Year</u>	<u>Accrued/ (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue at June 30, 2009</u>
N/A	\$ 81,215	\$ 81,215	\$ -	\$ -	\$ -
N/A	587,904	-	671,652	671,652	83,748
N/A S	9,050	9,050	-	-	-
N/A S	63,826		72,941	72,941	9,115
N/A	26,158	26,158	-	-	-
N/A	172,311	-	199,612	199,612	27,301
N/A S	2,290	2,290	-	-	-
N/A S	15,070		17,432	17,432	2,362
	957,824	118,713	961,637	961,637	122,526
S	(90,236)	(11,340)	(90,373)	(90,373)	(11,477)
F	867,588	107,373	871,264	871,264	111,049
N/A	67,091	(6,819)	66,949	66,949	(6,961)
771,276	<u>771,276</u>	<u>-</u>	<u>771,276</u>	<u>771,276</u>	<u>-</u>
	<u>\$ 1,705,955</u>	<u>\$ 100,554</u>	<u>\$ 1,709,489</u>	<u>\$ 1,709,489</u>	<u>\$ 104,088</u>
	<u>\$ 4,493,124</u>	<u>\$ 363,993</u>	<u>\$ 4,838,782</u>	<u>\$ 4,838,782</u>	<u>\$ 709,652</u>

WARREN COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the District's federal award programs presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 - NATIONAL SCHOOL LUNCH PROGRAM

Expenditures for the National School Lunch program include \$90,373 of expenditures related to state monies.

NOTE 3 - IDENTIFICATION OF 50% RULE

Total expenditures		\$ 4,838,782
Less state expenditures		<u>-</u>
Total Federal Financial Assistance		<u><u>\$ 4,838,782</u></u>
Programs selected for testing:		
Title I	84.010	\$ 1,786,404
Title II	84.367	470,648
Nutrition Cluster	10.553/10.555	<u>951,264</u>
		<u><u>\$ 3,208,316</u></u>
% of Total Federal Financial Assistance		<u>66.13%</u>



FELIX & GLOEKLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Members of the School Board
Warren County School District
Warren, Pennsylvania

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 County School District as of and for the year ended June 30, 2009, which collectively comprise the Warren County School District's basic financial statements and have issued our report thereon dated May 10, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Warren County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Warren County School District's internal control over financial reporting.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards
(Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

Our consideration of the internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the item described in Finding 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Warren County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We consider the items described in Findings 2009-2 and 2009-3 to be significant deficiencies.

Warren County School District's response to the findings in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Warren County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

May 10, 2010
Erie, Pennsylvania



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance With Circular A-133

To the Members of the School Board
Warren County School District
Warren, Pennsylvania

Compliance

We have audited the compliance of the Warren County School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Warren County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Warren County School District's management. Our responsibility is to express an opinion on the Warren County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Warren County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Warren County School District's compliance with those requirements.

In our opinion, the Warren County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance With Circular A-133
(Continued)

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program 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 noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

This report is intended solely for the information and use of the audit committee, the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

May 10, 2010
Erie, Pennsylvania

WARREN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Summary of Auditors' Results:

Financial Statements

1. Type of auditors' report issued: Unqualified opinion.
2. Internal control over financial reporting:

Material weaknesses identified?	_____ X _____ yes _____ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ X _____ yes _____ no
3. Noncompliance material to financial statements noted?

_____ yes _____ X _____ no

Federal Awards

1. Internal control over major programs:

Material weaknesses identified?	_____ yes _____ X _____ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes _____ X _____ no
2. Type of auditors' report issued on compliance for major programs:

unqualified

3. Any audit findings disclosed that are required to be reported in accordance with Section 501 (a) of Circular A-133?

_____ yes _____ X _____ no

4. Identification of major programs:

CFDA Number	Name of Federal Program
84.010	Title I
84.367	Title II
10.553/10.555	Nutrition Cluster

5. Dollar threshold used to distinguish between type A and type B programs:

\$300,000

6. Auditee qualified as low-risk auditee?

_____ yes _____ X _____ no

WARREN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

No. 2009-1 - Account Reconciliations

Criteria

The School District's bank accounts should be reconciled on a monthly basis.

Condition

The District's accounting records were not reconciled to the monthly bank statements.

Cause

The District did not perform monthly reconciliations.

Effect

The District's revenues and expenditures were misstated.

Management Comments

Management will perform timely bank account reconciliations to the District's accounting records for future accounting periods.

No. 2009-2 – District Investments

Criteria

All District depositories are to be approved by the School Board

Condition

An investment account was moved to a new financial institution prior to approval by the Board of Directors of that institution as a District depository.

Cause

Only one signature was required to open the account.

Effect

The District did not comply with PA School Code for deposit of public funds.

Management Comments

New procedures have been implemented to assure adherence to district policies and Pennsylvania School Code. Management will comply with District policies and procedures and Pennsylvania School Code.

WARREN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009
(Continued)

No. 2009-3 – District Investments

Criteria

Commonwealth regulations require that municipal deposits be insured or collateralized. The applicable regulations are intended to minimize the potential loss from market risk. Compliance with these requirements is necessary to provide assurance that District resources are not at risk.

Condition

We were unable to obtain assurance that one of the District's investments at June 30, 2009 was in compliance with Pennsylvania School Code.

Cause

District procedure for oversight of investment activity did not include review of compliance with these requirements.

Effect

District investments may have been at risk of loss in value.

Management Comments

This was a temporary holding account which has since been closed.

Management will comply with District policies and procedures and Pennsylvania School Code to assure compliance for future periods.

WARREN COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

No. 2008-1 - Account Reconciliations

Criteria

The School District's bank accounts should be reconciled on a monthly basis.

Condition

The District's accounting records were not reconciled to the monthly bank statements.

Cause

The District did not perform monthly reconciliations.

Effect

The District's revenues and expenditures were misstated.

Management Comments

Management will perform monthly bank account reconciliations to the District's accounting records for future accounting periods.

Current Status

This funding is repeated as Finding 2009-1.

Finding 2008-2 - Authorized Signatures

Criteria

Warren County School District's Board policy requires that checks drawn on all funds require three authorizing signatures (Board President, Secretary and Treasurer).

Condition

All checks written from the General Fund Northwest Savings Bank account and the Capital Reserve National City account did not contain the required three signatures.

Cause

The checks contained only one authorized signature (the Treasurer).

Effect

Board policy is not being complied with and did not permit recommended monitoring and approval of disbursements.

Current Status

This finding has been resolved.

WARREN COUNTY SCHOOL DISTRICT
Exit Conference
June 30, 2009

An exit conference was held on January 26, 2010.

Participating were:

Finance Committee
Warren County School District

Dr. Robert E. Terrill, Superintendent
Warren County School District

J. Petter Turnquist, CPA, Business Administrator
Warren County School District

Alan C. Felix, CPA, Principal
Felix and Gloekler, P.C.

A draft of the audit report for the Warren County School District, Warren, Pennsylvania for the year ended June 30, 2009 was discussed.

WARREN COUNTY SCHOOL DISTRICT
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June 30, 2009

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