

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

WARREN COUNTY R-III SCHOOL DISTRICT

June 30, 2011

WARREN COUNTY R-III SCHOOL DISTRICT

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Independent Auditors' Report

Board of Education
Warren County R-III School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Warren County R-III School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

As discussed in Note A, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2011 and the respective changes in financial position – modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 34 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison information on pages 38 and 39 are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kerber, Eck & Brackel

St. Louis, Missouri
December 1, 2011

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

The Management's Discussion and Analysis (MD&A) of Warren County R-III School District's (the District) financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this MD&A is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

The financial statements of the District have been prepared on the modified cash basis of accounting, as applied to local governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Differences in the modified cash basis of accounting and accounting principles generally accepted in the United States of America arise in the recognition of revenue when received, rather than when earned, and the presentation of expenditures/expenses when paid versus when incurred. Additional information on the District's modified cash basis of accounting can be found in the notes to the financial statements.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 issued in 1999 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year, 2010-11 (FY11), and the prior year, 2009-10 (FY10), is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2011 are as follows:

- In total, net assets decreased \$72,099, which represents a .86 percent decrease from 2010.
- General revenues accounted for \$21,725,904 in revenue or 57.4 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$16,134,032 or 42.6 percent of total revenues of \$37,859,936.
- The District had \$37,932,035 in expenses, which represents a \$9,842,827 increase from 2010 or a 35.0 percent increase in expenses.
- Among major funds, the General Fund had \$13,249,432 in revenues and \$9,972,124 in expenditures. The General Fund's balance increased by \$206,323 throughout 2011. The District transferred \$1,739,050 and \$1,331,935 from the General Fund to the Special Revenue (Teachers') Fund and the Capital Projects Fund, respectively. The Special Revenue Fund continues to maintain a zero fund balance through transfers from the General Fund.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Using this Annual Report

The District's basic financial statements consist of a series of financial statements and the associated notes to those statements. The statements are organized so the reader can understand the operations of the District as a whole (i.e., an entire operating entity). The "Basic Financial Statements" section includes government-wide financial statements, fund financial statements and notes to financial statements.

The government-wide financial statements, consisting of the Statement of Net Assets – modified cash basis and the Statement of Activities – modified cash basis (see pages 15 and 16), provide highly consolidated financial information and render a government-wide perspective of the District's modified cash basis financial condition. They present an aggregate view of the District's basic finances. These statements seek to answer the question, "How did the District do financially during the year ended June 30, 2011?" In short, is the District better financially this year, or is it worse than the prior year? These statements include all cash and investments using the modified cash basis of accounting.

By showing the change in net assets (modified cash basis) for the year, the reader may ascertain whether the District's modified cash basis financial condition has improved or deteriorated. The changes which are discussed in this MD&A may be financial or non-financial in nature. Non-financial factors which may have an impact on the District's financial condition include increases in or erosion of the property tax base within the District, facilities maintenance and condition, mandated educational programs for which little or no funding is provided or other external factors.

To provide a more in-depth reporting of the District's modified cash basis financial position and changes in modified cash basis financial position, fund financial information is presented in the "Fund Financial Statements" section beginning on page 17. These fund financial statements, which should be familiar to those who have read previous governmental financial statements, report governmental activities indicating modified cash basis sources and uses of funding.

Fund financial statements also provide more in-depth data on the District's most significant funds: General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. These funds are considered "major funds" under GASB Statement No. 34. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements is the same under the modified cash basis of accounting.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Government-Wide Financial Analysis

Net assets of the District were \$8,295,924 at June 30, 2011, compared to net assets of \$8,368,023 at June 30, 2010. Net assets of the District consist of the following at June 30,:

	<u>2011</u>	<u>2010</u>
Restricted	\$ 1,727,512	\$ 3,217,615
Unrestricted	<u>6,568,412</u>	<u>5,150,408</u>
Total net assets	<u>\$ 8,295,924</u>	<u>\$ 8,368,023</u>

The restricted net assets are restricted for the acquisition or construction of major capital assets and all other capital outlay, payment of principal and interest on general obligation bonds, for the professional development of certified personnel, professional development and scholarships/memorial funds.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Governmental Activities

Key elements of the change in net assets are as follows for the year ended June 30,:

	<u>2011</u>	<u>2010</u>
Revenues collected		
Program revenues		
Charges for services	\$ 939,167	\$ 947,376
Operating grants and contributions	14,982,937	6,060,715
Capital grants and contributions	211,928	207,980
General revenues		
Taxes	13,932,598	14,103,511
Grants and entitlements	7,745,120	7,708,156
Interest and investment earnings	48,186	62,583
Total revenues collected	<u>37,859,936</u>	<u>29,090,321</u>
Expenses paid		
Instruction	14,560,984	13,996,623
Student services	891,903	799,914
Instructional staff support	1,555,724	1,344,619
Building administration	1,750,386	1,723,620
General administration and central services	1,109,479	1,076,689
Operation of plant	2,707,582	2,441,373
Pupil transportation	1,319,492	1,802,976
Food service	1,119,668	1,153,210
Community services	402,476	416,460
Facility acquisition and construction	1,771,854	1,267,380
Principal, interest and fiscal charges	10,742,487	2,066,344
Total expenses paid	<u>37,932,035</u>	<u>28,089,208</u>
Changes in net assets	(72,099)	1,001,113
Net assets at beginning of year	<u>8,368,023</u>	<u>7,366,910</u>
Net assets at end of year	<u>\$ 8,295,924</u>	<u>\$ 8,368,023</u>

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Governmental Activities - Continued

As reflected on the previous page, the expenses of the District's governmental activities for the years ended June 30, 2011 and 2010, of \$37,932,035 and \$28,089,208, respectively, are not all borne by the taxpayers of the District. Of these amounts \$939,167 and \$947,376 were paid by those who benefited from the services rendered (i.e., charges for school lunches) and \$15,194,865 and \$6,268,695 were paid through federal and state operating and capital grants and contributions for the years ended June 30, 2011 and 2010, respectively. Consequently, for the years ending June 30, 2011 and 2010, the net costs of \$21,798,003 and \$20,873,137, respectively, after taking into consideration these fees and grants, were paid from other general revenues, which include property taxes paid by taxpayers of the District as well as other taxes, additional state funding and fund balances.

The next table shows the total cost of programs and the net cost of these programs (after deducting charges for services and grants and contributions revenue collected for the various categories of expenses paid for the years ending June 30, 2011 and 2010). The net cost presentation allows the taxpayers of the District to determine the remaining cost of the various categories which were borne by them or paid from other general revenues and fund balances, and allows them the opportunity to assess the cost of these functions in comparison to the benefits received.

A summary of the total and net costs of government activities are as follows for the year ended June 30,:

	2010		2011	
	Total cost of programs	Net cost of programs	Total cost of programs	Net cost of programs
Instruction	\$ 14,560,984	\$ 9,045,321	\$13,996,623	\$8,708,157
Student services	891,903	891,903	799,914	799,914
Instructional staff support	1,555,724	1,555,724	1,344,619	1,344,619
Building administration	1,750,386	1,750,386	1,723,620	1,723,620
General administration and central services	1,109,479	1,109,479	1,076,689	1,076,689
Operation of plant	2,707,582	2,700,062	2,441,373	2,419,191
Pupil transportation	1,319,492	789,671	1,802,976	1,284,682
Food service	1,119,668	2,407	1,153,210	(85,291)
Community services	402,476	303,709	416,460	267,832
Facility acquisition and construction	1,771,854	1,771,854	1,267,380	1,267,380
Principal, interest and fiscal charges	10,742,487	1,877,487	2,066,344	2,066,344
Total	\$37,932,035	\$21,798,003	\$28,089,208	\$20,873,137

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Governmental Funds Financial Analysis

The District uses funds to control and manage money for particular purposes (i.e., dedicated taxes and bond proceeds). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by the taxpayers and other entities. These statements also allow the reader to obtain more insight into the financial workings of the District and further assess the District's financial health.

The District completed the fiscal year ended June 30, 2011 with a combined fund balance for governmental funds (as presented in the Balance Sheet – modified cash basis on page 17) of \$8,295,924, as compared to a combined fund balance of \$8,368,023 as of June 30, 2010, a decrease of \$72,099.

The fund balance of the operating funds (General and Special Revenue) increased by \$206,323 as compared to an increase of \$838,180 the previous year. The increase in FY11 was due to conservative spending in all departments throughout the District and revenues such as delinquent taxes, Basic State Formula and School Food Service being higher than projected amounts.

The fund balance of the Debt Service Fund increased \$6,217 in FY11 and increased \$100,179 in FY10. The increase in FY10 and increase in FY11 were due to revenue receipts in excess of scheduled debt payments.

The fund balance of the Capital Projects Fund decreased by \$284,544 in FY11. In comparison, the fund balance of the Capital Projects Fund in FY10 increased by \$61,562 due to the fact that some capital projects expenditures were not completed in 2009-10, therefore the funds were saved in FY10 to be used in 2010-11. The District is also being conservative in the Capital Projects Fund to be prepared for possible facility improvements/additions in future years.

The \$1,315,413 balance of the Debt Service Fund is legally restricted for payment of bond principal, interest and related fees.

The major source of revenue for operations, debt service and capital improvements is local property taxes amounting to \$10,202,192. This is derived from the District's operating levy of \$3.2706, debt service levy of \$.6189 and capital projects levy of \$.0814 for a total levy of \$3.9709. Other significant local revenues are sales tax of \$2,375,896, M&M Surtax of \$216,913, earnings on investments of \$48,186, food service of \$416,218, student activities of \$466,110, and community services and miscellaneous of \$191,969.

County revenues are derived from state assessed utility property of \$560,450 and county fines of \$194,374.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Governmental Funds Financial Analysis - Continued

Total state funding which makes up 34.3% of total revenues collected (not including bond/refunding proceeds) increased from prior year by \$80,459 to \$9,952,303. The majority of the state revenue comes from basic formula, transportation and early childhood special education.

Federal funding which makes up 13.7% of total revenues collected (not including bond/refunding proceeds) increased to \$3,968,829 from \$3,946,951 the previous year. The majority of the federal revenues for FY11 are from the Title program reimbursements for \$685,936, special education for \$624,331, child nutrition programs for \$693,664 and federal stimulus dollars through the formula, transportation, Title I, Title IID and IDEA Part B totaling \$1,888,224.

Total governmental funds expenditures paid were \$37,932,035 for the year compared to \$28,089,208 the previous year. The General Fund accounts for \$9,972,124 or 26.3% of the total expenditures. The Special Revenue (Teachers') Fund accounts for \$14,976,495 or 39.5% of total expenditures and consists of certificated teacher salaries and benefits. Debt Service Fund expenditures of \$10,538,411 or 27.8% of total expenditures, are for principal and interest on general obligation bonds. Capital Projects Fund expenditures of \$2,441,005, or 6.4% of total expenditures, are for construction projects, facility repairs, equipment, purchase of property and base rentals required to be paid for Lease Certificates of Participation. Other Governmental Funds expenditures of \$4,000 are for scholarships.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Governmental Funds Financial Analysis - Continued

The following table summarizes the governmental fund revenues collected and expenditures paid (not including other financing sources and uses) for the year ended June 30,:

	Revenues collected			
	2011	%	2010	%
Local	\$ 14,300,257	49.5%	\$ 14,407,471	49.6%
County	754,825	2.6%	840,233	2.9%
State	9,952,303	34.3%	9,871,844	34.0%
Federal	3,968,829	13.7%	3,946,951	13.6%
Other	11,202	0.0%	1,640	0.0%
	<u>\$ 28,987,416</u>	<u>100.0%</u>	<u>\$ 29,068,139</u>	<u>100.0%</u>
	Expenditures paid			
	2011	%	2010	%
Instruction	\$ 14,466,774	49.6%	\$ 13,957,338	49.7%
Support services	10,083,369	34.7%	9,597,382	34.2%
Capital outlay	2,236,929	7.7%	2,052,694	7.3%
Debt service	1,877,487	6.5%	2,066,344	7.4%
Community service and other	402,476	1.4%	415,450	1.5%
	<u>\$ 29,067,035</u>	<u>100.0%</u>	<u>\$ 28,089,208</u>	<u>100.0%</u>

Budgetary Highlights

Over the course of the year, the Board of Education revised the District's budget to take into consideration expected changes in revenues collected or expenditures paid. Missouri statutes for public school finance, Section 67.010, RSMo, require a budget amendment if anticipated expenditures are in excess of budgetary goals. The original budget was adopted on June 24, 2010 and the final budget amendment was adopted on June 30, 2011.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Budgetary Highlights - Continued

Schedules comparing fund revenues and expenditures to the original and final budgets are provided on pages 34 and 35 for the General Fund and Special Revenue Fund. General Fund revenues were higher than the original budget due to the collection of local property taxes, activities funds, and basic state formula being higher than anticipated. The General Fund expenditures were lower than the original budget due to cuts made to expenditures in the budget during the year.

Capital Assets and Debt Administration

Capital Assets

The District operates under the modified cash basis of accounting, therefore, capital asset purchases are recorded as expenditures and related depreciation is not recognized. Capital assets are not reflected in the financial statements.

Long-term Obligations

At June 30, 2011, the District had outstanding general obligation bonds of \$18,865,000 after principal reductions of \$9,575,000 made during the year.

State statutes limit the amount of general obligation debt a school district may issue to 15% of assessed valuation. The debt limitation is \$38,925,592 at June 30, 2011, based on the December 31, 2010 assessed values.

The District has lease certificates of participation with outstanding balances totaling \$9,020,000 at June 30, 2011.

The District operates on the modified cash basis of accounting; therefore, payments on long-term debt are recorded as expenditures. Long-term debt is not reflected in the financial statements. Commitments for long-term debt and other obligations are disclosed in the notes to the financial statements in Note C beginning on page 27.

WARREN COUNTY R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2011

Economic Factors and Next Year's Budget

The District's administration continues to monitor developments unfolding within the Missouri Legislature affecting educational funding. Senate Bill 287 established a new foundation formula to be phased in over a period of seven years beginning with the 2006-07 school year. Projections for 2011-12 state revenues are based on current data, but are subject to revision as the state's financial condition changes and new information is provided throughout the year.

At the time these financial statements were prepared, the District was aware of the following impacts on the 2011-12 budget:

- On assessed valuation of real estate, calendar year 2011 is a reassessment year. The District is estimating taxes from assessed valuations will decrease by approximately 1%. The District will continue to closely monitor assessed valuations in the future.
- State formula and classroom trust revenues are projected to remain constant for 2011-12. The state formula/classroom trust calculation is based on the highest of the prior three year's weighted average daily attendance which is calculated using enrollment and attendance. The enrollment is projected to remain relatively constant over the next several years.
- In 2011-12, the District will be receiving approximately \$240,000 in Jobs Bill and Stabilization dollars allowing the state to fund the foundation formula. The District will be monitoring this closely to insure it is prepared if the state is not able to fully fund the foundation formula in the future.
- Transportation revenue is expected to increase approximately \$50,000 in 2011-12. Transportation revenue will still be \$100,000 less than the 2009-10 funding level. This area will continue to be monitored.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Warren County R-III School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, please contact Pam Frazier, Chief Financial Officer at the Administrative Office.

WARREN COUNTY R-III SCHOOL DISTRICT

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 7,712,536
Restricted investments	<u>583,388</u>
TOTAL ASSETS	<u>\$ 8,295,924</u>
NET ASSETS	
Restricted for:	
Food service	\$ 236,420
Scholarships/memorials	
Nonexpendable	110,500
Expendable	65,179
Debt service	1,315,413
Unrestricted	<u>6,568,412</u>
TOTAL NET ASSETS	<u>\$ 8,295,924</u>

The accompanying notes are an integral part of this statement.

WARREN COUNTY R-III SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year ended June 30, 2011

Function/Program	Expenses	Program revenues			Net (expense)
		Charges for services	Operating grants and contributions	Capital grants and contributions	revenue and changes in net assets
					Total governmental activities
Governmental activities					
Instruction	\$ 14,560,984	\$ 466,110	\$ 5,049,553	\$ -	\$ (9,045,321)
Attendance	746	-	-	-	(746)
Guidance	579,248	-	-	-	(579,248)
Health services	311,909	-	-	-	(311,909)
Improvement of instruction	543,547	-	-	-	(543,547)
Professional development	88,442	-	-	-	(88,442)
Media services	923,735	-	-	-	(923,735)
Board of Education services	93,715	-	-	-	(93,715)
Executive administration	646,407	-	-	-	(646,407)
Building level administration	1,750,386	-	-	-	(1,750,386)
Operation of plant	2,707,582	-	7,520	-	(2,700,062)
Pupil transportation	1,319,492	-	317,893	211,928	(789,671)
Food services	1,119,668	416,218	701,043	-	(2,407)
Business and central services	369,357	-	-	-	(369,357)
Community services	402,476	56,839	41,928	-	(303,709)
Facilities acquisition and construction	1,771,854	-	-	-	(1,771,854)
Debt service					
Principal retirement	9,575,000	-	8,865,000	-	(710,000)
Interest and other fiscal charges	1,167,487	-	-	-	(1,167,487)
Total governmental activities	\$ 37,932,035	\$ 939,167	\$ 14,982,937	\$ 211,928	(21,798,003)
General revenues					
Taxes					
					10,801,877
					2,375,896
					7,745,120
					194,375
					560,450
					48,186
					<u>21,725,904</u>
					(72,099)
					<u>8,368,023</u>
					\$ 8,295,924

The accompanying notes are an integral part of this statement.

WARREN COUNTY R-III SCHOOL DISTRICT

BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 5,418,838	\$ -	\$ 732,025	\$ 1,439,118	\$ 122,555	\$ 7,712,536
Restricted investments	-	-	583,388	-	-	583,388
Total assets	\$ 5,418,838	\$ -	\$ 1,315,413	\$ 1,439,118	\$ 122,555	\$ 8,295,924
FUND BALANCES						
Nonspendable						
Scholarships/memorials	\$ 201	\$ -	\$ -	\$ -	\$ 110,299	\$ 110,500
Restricted						
Food service	236,420	-	-	-	-	236,420
Scholarships/memorials	52,923	-	-	-	12,256	65,179
Debt service	-	-	1,315,413	-	-	1,315,413
Assigned						
Professional development	8,071	-	-	-	-	8,071
Student activities	297,183	-	-	-	-	297,183
Curriculum development	100,000	-	-	-	-	100,000
Real property acquisition	-	-	-	1,024,279	-	1,024,279
Capital projects	-	-	-	414,839	-	414,839
Unassigned	4,724,040	-	-	-	-	4,724,040
Total fund balances	\$ 5,418,838	\$ -	\$ 1,315,413	\$ 1,439,118	\$ 122,555	\$ 8,295,924

The accompanying notes are an integral part of this statement.

WARREN COUNTY R-III SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
Year ended June 30, 2011

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Other Nonmajor Fund	Total Governmental Funds
Revenues						
Local	\$ 9,500,620	\$ 2,378,454	\$ 1,604,852	\$ 812,426	\$ 3,905	\$ 14,300,257
County	478,575	194,374	74,776	7,100	-	754,825
State	1,980,638	7,971,665	-	-	-	9,952,303
Federal	1,287,079	2,681,750	-	-	-	3,968,829
Other	-	11,202	-	-	-	11,202
Total revenues	13,246,912	13,237,445	1,679,628	819,526	3,905	28,987,416
Expenditures						
Current						
Instruction	2,371,502	12,091,272	-	-	4,000	14,466,774
Attendance	746	-	-	-	-	746
Guidance	4,862	574,386	-	-	-	579,248
Health services	277,300	34,609	-	-	-	311,909
Improvement of instruction	226,404	315,900	-	-	-	542,304
Professional development	44,277	44,165	-	-	-	88,442
Media services	569,986	310,928	-	-	-	880,914
Board of Education services	93,715	-	-	-	-	93,715
Executive administration	286,843	359,564	-	-	-	646,407
Building level administration	562,704	1,187,682	-	-	-	1,750,386
Operation of plant	2,431,580	-	-	-	-	2,431,580
Pupil transportation	1,314,294	-	-	-	-	1,314,294
Food services	1,112,696	-	-	-	-	1,112,696
Business and central services	330,728	-	-	-	-	330,728
Community services	344,487	57,989	-	-	-	402,476
Capital outlay	-	-	-	2,236,929	-	2,236,929
Debt service						
Principal retirement	-	-	710,000	-	-	710,000
Interest and other fiscal charges	-	-	963,411	204,076	-	1,167,487
Total expenditures	9,972,124	14,976,495	1,673,411	2,441,005	4,000	29,067,035
Excess of revenues over (under) expenditures	3,274,788	(1,739,050)	6,217	(1,621,479)	(95)	(79,619)
Other financing sources (uses)						
Transfers in (out)	(3,070,985)	1,739,050	-	1,331,935	-	-
Proceeds from issuance of refunding bonds	-	-	8,865,000	-	-	8,865,000
Debt service - principal	-	-	(8,865,000)	-	-	(8,865,000)
Sale of other property	2,520	-	-	5,000	-	7,520
Total other financing sources (uses)	(3,068,465)	1,739,050	-	1,336,935	-	7,520
NET CHANGE IN FUND BALANCE	206,323	-	6,217	(284,544)	(95)	(72,099)
Fund balances at July 1, 2010	5,212,515	-	1,309,196	1,723,662	122,650	8,368,023
Fund balances at June 30, 2011	\$ 5,418,838	\$ -	\$ 1,315,413	\$ 1,439,118	\$ 122,555	\$ 8,295,924

The accompanying notes are an integral part of this statement.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Warren County R-III School District (the District), established in 1946 under the Statutes of the State of Missouri, is governed by an elected seven-member board as described in RSMo Chapter 162. The Board of Education is the basic level of government that has financial accountability and control over all activities related to public school education in the District.

The District's financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

1. Principles Determining the Scope of Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in GASB Statement No. 14, as amended by No. 39, have been considered and there are no other agencies or entities that should be presented with the District.

While parent-teacher organizations of the District's schools provide financial support exclusively to the District, they are not included as a component unit because the amount of financial support provided is of a de minimis nature.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include charges paid by the students for goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

The fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column.

The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and is used to account for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program and any expenditures not required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources that are legally restricted for the payment of salaries and certain employee benefits for certified personnel.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the periodic payment of principal, interest and fiscal charges on general long-term debt.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. Basis of Presentation - Continued

Capital Projects Fund

The Capital Projects Fund is used to account for resources to be used for the acquisition or construction of major capital assets.

The District's nonmajor fund is used to account for resources permanently restricted for the purpose of providing scholarships and a library memorial.

3. Basis of Accounting

The government-wide financial statements and fund financial statements are prepared using the modified cash basis of accounting. This basis of accounting recognizes assets, net assets/fund equity, revenues and expenditures/expenses when they result from modified cash transactions except that the purchase of investments are recorded as assets. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the government-wide financial statements would be presented on the accrual basis of accounting.

4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the District.

The District also receives sales tax collected by the state and remitted based on eligible pupils. The District is required to reduce the property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. On April 4, 1995, the Patrons of the District voted to forego this reduction in property taxes, thus earmarking the entire amount for education.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Property Taxes - continued

The assessed valuation of the tangible taxable property for the calendar year 2010 and 2009 for purposes of local taxation was \$259,503,947 and \$262,448,924.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2010 and 2009 for purposes of local taxation was:

	December 31,	
	2010	2009
General Fund	\$ 3.2706	\$ 3.2706
Debt Service Fund	0.6189	0.6189
Capital Projects Fund	0.0814	0.0814
Total	<u>\$ 3.9709</u>	<u>\$ 3.9709</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2011, aggregated approximately 99% of the current assessment computed on the basis of the levy as shown above.

5. Cash and Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments which is managed by the District Treasurer. State law requires that all deposits of the debt service fund be kept separate and apart from all other funds of the District. Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested.

The District may invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit, bankers' acceptances issued by domestic commercial banks and commercial paper issued by domestic corporations. Investments are reported at cost which approximates fair value.

6. Teachers' Salaries

The salary payment schedule for certain teachers of the District for the 2010-2011 school year requires the payment of their salaries over a 12-month period. Consequently, the July and August 2011 payroll checks are included in the financial statements as an expenditure in the month of June. This practice has been consistently followed in previous years.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Post Employment Benefits

In addition to the pension benefits described in Note D, the District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS or PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan.

8. Restricted Assets

Restricted assets consists of cash and investments that are legally restricted as to their use and include unexpended bond proceeds and deposits escrowed under the Missouri Direct Deposit Program.

9. Net Assets

In the government-wide financial statements, equity is classified as net assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments. All other net assets are reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

10. Fund Balances

The District adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources or by constitutional provision or enabling legislations.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Fund Balances - continued

Committed – includes amounts that can only be used for specific purposes, determined by a resolution of the Board of Education, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District’s adopted policy, amounts may be assigned by the Chief Financial Officer.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The policy requires a minimum unassigned fund balance of 10% of total General Fund and Special Revenue Fund expenditures in order to cover unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet.

11. Interfund Activity

Interfund transfers are reported as other financing sources (uses) in the governmental funds. A transfer was made from the General Fund to the Special Revenue Fund to maintain a zero fund balance in the Special Revenue Fund. A transfer was made from the General Fund to the Capital Projects Fund to cover capital outlay expenditures.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE B – CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law.

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the MOHEFA Bond Program. It authorizes the direct deposit of a portion of the District's state aid payment by the State of Missouri to a trustee bank that accumulates these payments and then makes the principal and interest payments to the paying agent on the bonds. The direct deposits occur monthly and the balance is withdrawn every six months to pay the debt service requirement of the related bond issues. At June 30, 2011, the District had \$583,388 in this program, which has been classified as investments.

The District also has investments with the Missouri Security Investment Program (MoSIP). All funds of MoSIP are invested in accordance with Section 165.051 of the Missouri Revised Statutes. Each school district owns a pro rata share of each investment or deposit which is held in the name of the Fund. The District had \$4,651,135 invested through MoSIP at June 30, 2011.

The cash and investments are reported at cost, and are as follows at June 30, 2011:

Type	Maturities	Cost
Deposits		
Demand deposits	N/A	\$ 2,961,401
Certificates of deposit	N/A	100,000
Investments		
External investment pool		
MOHEFA	< 1 year	583,388
MoSIP	< 1 year	<u>4,651,135</u>
Total deposits and investments		<u>\$ 8,295,924</u>

1. Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

As of June 30, 2011, the District's bank balances were entirely secured or collateralized with securities held by the District or by its agent in the District's name.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE B – CASH AND INVESTMENTS - Continued

2. Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government or are held by the party who sold the security to the district or its agent, but not in the government's name. The District does not have a policy for custodial credit risk for investments. The District's investments were not exposed to custodial credit risk at year end.

3. Interest Rate Risk

The District minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Investments in bankers' acceptances and commercial paper shall mature in no more than 180 days from purchase date and all other investments shall mature and become payable in no more than five years from purchase date. Maturities of investments held at June 30, 2011 are summarized in the schedule on the previous page.

4. Investment Credit Risk

Investment credit risk is the risk that an insurer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To minimize credit risk, the District prequalifies the institutions, brokers/dealers, intermediaries and advisors with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized.

The District's investments were rated as follows at June 30, 2011:

Description	Amount	Rating
External investment pool		
Missouri Security Investment Program	\$ 4,651,135	AAAm
Missouri Direct Deposit Program	\$ 583,388	AAA

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE B – CASH AND INVESTMENTS - Continued

5. Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

The District places no limitation on the amount it may invest in any one issuer. At June 30, 2011, the District had no investments other than external investment pools.

NOTE C – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011	Amounts due within one year
Bonds payable	\$ 19,575,000	\$ 8,865,000	\$ (9,575,000)	\$ 18,865,000	\$ 780,000
Lease certificates of participation	10,240,000	-	(1,220,000)	9,020,000	1,280,000
Total	<u>\$ 29,815,000</u>	<u>\$ 8,865,000</u>	<u>\$ (10,795,000)</u>	<u>\$ 27,885,000</u>	<u>\$ 2,060,000</u>

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund. Repayment of the bond issues are made through the Missouri Direct Deposit Program. Lease payments related to the Certificates of Participation are made by the Capital Projects Fund.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2011

NOTE C – LONG-TERM OBLIGATIONS - Continued

Bonds Payable

Bonds payable consist of the following at June 30, 2011:

Date issued	Maturity date	Rate of interest	Original issue amount	Balance at June 30, 2011
5/25/2006	3/1/2026	3.90% - 4.75%	\$ 18,000,000	\$ 10,000,000
12/21/2010	3/1/2020	0.75% - 3.00%	8,865,000	<u>8,865,000</u>
				<u>\$ 18,865,000</u>

The annual requirements to amortize bonded debt outstanding are as follows at June 30, 2011:

Year ending June 30,	Principal	Interest	Total
2012	\$ 780,000	\$ 678,450	\$ 1,458,450
2013	1,000,000	639,480	1,639,480
2014	1,000,000	629,480	1,629,480
2015	1,000,000	616,480	1,616,480
2016	1,000,000	600,480	1,600,480
2017-2021	5,585,000	2,659,440	8,244,440
2022-2026	<u>8,500,000</u>	<u>1,211,250</u>	<u>9,711,250</u>
	<u>\$ 18,865,000</u>	<u>\$ 7,035,060</u>	<u>\$ 25,900,060</u>

General Obligation Refunding Bonds, Series 2010A were issued on December 21, 2010 in the amount of \$8,865,000 to refund the District's General Obligation Bonds, Series 2006 and General Obligation Refunding Bonds, Series 2009. The new bond issue will reduce debt service payments by \$1,135,735 with an economic gain of \$881,610.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE C – LONG-TERM OBLIGATIONS - Continued

Lease Certificates of Participation

Lease certificates of participation consist of the following at June 30, 2011:

Date issued	Maturity date	Rate of interest	Original issue amount	Balance at June 30, 2011
4/14/2010	3/1/2020	1.00% - 4.125%	\$ 10,240,000	\$ 9,020,000

The Missouri Association of Rural Education (Association) is a not-for-profit corporation under Missouri law first organized in June 1987 for the purpose of assisting public school districts located in Missouri with financing projects pursuant to Section 177.088 RSMo. During the fiscal year 2010, the Association issued \$10,240,000 Missouri Association of Rural Education Lease Refunding and Improvement Certificates of Participation (Series 2010) which represent proportionate ownership interest in the right to receive rental payments from the District under a Project Lease Agreement dated April 14, 2010 between the Association and the District. The Series 2010 Refunding Certificates are being executed and delivered pursuant to a trust agreement dated April 14, 2010 between the Association and UMB Bank N.A. The proceeds from the sale of the certificates were used to prepay \$4,000,000 Series 1999 certificates of an existing project lease agreement with the Association dated February 16, 1999 and prepay \$5,875,000 of the Series 2005 certificates of an existing lease agreement with the Association dated March 16, 2005. The remaining proceeds were used to fund the costs of installing field turf at the football field and other improvements to existing facilities of the District. Proceeds from the Series 1999 certificates were used to refund the callable portion of the Series 1996 certificates. Proceeds from the Series 2005 certificates were used to fund energy conservation and efficiency improvements at various District buildings through a Guaranteed Performance Contract with Control Technology & Solutions.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE C – LONG-TERM OBLIGATIONS - Continued

The following schedule shows the base rentals required to be paid by the District.

Year ending June 30,	Principal	Interest	Total
2012	\$ 1,280,000	\$ 275,980	\$ 1,555,980
2013	1,360,000	250,380	1,610,380
2014	1,465,000	219,100	1,684,100
2015	1,155,000	178,812	1,333,812
2016	640,000	144,163	784,163
2017-2020	3,120,000	330,512	3,450,512
	<u>\$ 9,020,000</u>	<u>\$ 1,398,947</u>	<u>\$ 10,418,947</u>

Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to 15% of the assessed valuation of the District (including State assessed railroad and utility). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2011, was:

Constitutional debt limit	\$ 38,925,592
General obligation bonds payable	(18,865,000)
Amount available in Debt Service Fund	<u>1,315,413</u>
Legal debt margin	<u>\$ 21,376,005</u>

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE D – RETIREMENT PLANS

The District contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by PSRS are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010-.141 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, PO Box 268, Jefferson City, MO 65102 or by calling 1-800-392-6848.

PSRS members are required to contribute 14.00% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ended June 30, 2011, 2010 and 2009 were \$1,659,904, \$1,589,796 and \$1,458,290, respectively, equal to the required contributions.

The District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to PSRS. Positions covered by PEERS are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600-.715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of PSRS. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public Education Employee Retirement System of Missouri, PO Box 268, Jefferson City, MO 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.63% of the annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the years ended June 30, 2011, 2010 and 2009 were \$310,665, \$304,472 and \$280,149, respectively, equal to the required contributions.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE E – INSURANCE PROGRAM

The District, along with various other local school districts, participates in the Missouri United School Insurance Council (MUSIC), an insurance association for workers' compensation, general liability and property and casualty insurance. The purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of MUSIC have no legal interest in the assets, liabilities or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MUSIC should it cease operations at some future date. The District's premium assessment from MUSIC for the year ended December 31, 2011 was \$269,177.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
BUDGET AND ACTUAL - GENERAL FUND - UNAUDITED
Year ended June 30, 2011**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 9,163,410	\$ 9,201,464	\$ 9,500,620	\$ 299,156
County	565,000	455,000	478,575	23,575
State	1,962,851	1,912,010	1,980,638	68,628
Federal	929,052	1,283,461	1,287,079	3,618
Other	-	-	-	-
Total revenues	12,620,313	12,851,935	13,246,912	394,977
Expenditures				
Current				
Instruction	2,228,840	2,186,032	2,371,502	(185,470)
Attendance	-	-	746	(746)
Guidance	11,191	10,441	4,862	5,579
Health services	268,203	268,203	277,300	(9,097)
Improvement of instruction	351,826	364,241	226,404	137,837
Professional development	47,697	57,013	44,277	12,736
Media services	549,235	545,605	569,986	(24,381)
Board of Education services	67,824	94,924	93,715	1,209
Executive administration	345,241	304,151	286,843	17,308
Building level administration	580,153	580,153	562,704	17,449
Operation of plant	2,501,011	2,494,858	2,431,580	63,278
Pupil transportation	1,442,685	1,427,227	1,314,294	112,933
Food services	1,187,821	1,187,821	1,112,696	75,125
Business and central services	360,119	368,414	330,728	37,686
Community services	312,769	305,882	344,487	(38,605)
Total expenditures	10,254,615	10,194,965	9,972,124	222,841
Excess of revenues over expenditures	2,365,698	2,656,970	3,274,788	617,818
Other financing sources (uses)				
Transfers to other funds	(944,697)	(1,430,784)	(3,070,985)	(1,640,201)
Sale of other property	-	-	2,520	2,520
	<u>(944,697)</u>	<u>(1,430,784)</u>	<u>(3,068,465)</u>	<u>(1,637,681)</u>
NET CHANGE IN FUND BALANCE	\$ 1,421,001	\$ 1,226,186	206,323	\$ (1,019,863)
Fund balance at July 1, 2010			<u>5,212,515</u>	
Fund balance at June 30, 2011			<u>\$ 5,418,838</u>	

The accompanying notes to required supplementary information are an integral part of this schedule.

WARREN COUNTY R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - UNAUDITED
Year ended June 30, 2011**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 2,270,000	\$ 2,400,916	\$ 2,378,454	\$ (22,462)
County	173,153	194,300	194,374	74
State	8,918,683	8,479,121	7,971,665	(507,456)
Federal	1,495,067	2,150,209	2,681,750	531,541
Other	2,000	12,000	11,202	(798)
Total revenues	12,858,903	13,236,546	13,237,445	899
Expenditures				
Current				
Instruction	11,633,446	12,067,828	12,091,272	(23,444)
Guidance	573,297	573,297	574,386	(1,089)
Health services	56,462	34,691	34,609	82
Improvement of instruction	288,966	334,075	315,900	18,175
Professional development	49,598	40,282	44,165	(3,883)
Media services	314,700	314,700	310,928	3,772
Executive administration	365,188	365,188	359,564	5,624
Building level administration	1,189,292	1,189,292	1,187,682	1,610
Community services	57,632	57,632	57,989	(357)
Total expenditures	14,528,581	14,976,985	14,976,495	490
Excess of revenues over (under) expenditures	(1,669,678)	(1,740,439)	(1,739,050)	1,389
Other financing sources				
Transfers from other funds	944,697	1,430,784	1,739,050	308,266
NET CHANGE IN FUND BALANCE	\$ (724,981)	\$ (309,655)	-	\$ 309,655
Fund balance at July 1, 2010			-	
Fund balance at June 30, 2011			\$ -	

The accompanying notes to required supplementary information are an integral part of this schedule.

WARREN COUNTY R-III SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

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

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.

ADDITIONAL SUPPLEMENTARY INFORMATION

WARREN COUNTY R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 Year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 1,589,456	\$ 1,596,075	\$ 1,604,852	\$ 8,777
County	91,000	91,000	74,776	(16,224)
Total revenues	1,680,456	1,687,075	1,679,628	(7,447)
Expenditures				
Debt service				
Principal retirement	710,000	710,000	710,000	-
Interest and other fiscal charges	849,828	963,411	963,411	-
Total expenditures	1,559,828	1,673,411	1,673,411	-
Excess of revenues over (under) expenditures	120,628	13,664	6,217	(7,447)
Other financing sources				
Proceeds from issuance of refunding bonds	-	8,865,000	8,865,000	-
Debt service - principal	-	(8,865,000)	(8,865,000)	-
Total other financing sources	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ 120,628	\$ 13,664	6,217	\$ (7,447)
Fund balance at July 1, 2010			1,309,196	
Fund balance at June 30, 2011			\$ 1,315,413	

WARREN COUNTY R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
 Year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 790,378	\$ 789,364	\$ 812,426	\$ 23,062
County	11,000	11,000	7,100	(3,900)
Total revenues	801,378	800,364	819,526	19,162
Expenditures				
Capital outlay	1,566,343	2,247,886	2,236,929	10,957
Debt service				
Interest and other fiscal charges	220,628	209,076	204,076	5,000
Total expenditures	1,786,971	2,456,962	2,441,005	15,957
Excess of revenues over (under) expenditures	(985,593)	(1,656,598)	(1,621,479)	35,119
Other financing sources				
Transfers from other funds	-	-	1,331,935	1,331,935
Sale of other property	22,000	22,000	5,000	(17,000)
Total other financing sources	22,000	22,000	1,336,935	1,314,935
NET CHANGE IN FUND BALANCE	\$ (963,593)	\$ (1,634,598)	(284,544)	\$ 1,350,054
Fund balance at July 1, 2010			1,723,662	
Fund balance at June 30, 2011			\$ 1,439,118	