

PENDLETON COUNTY BOARD OF EDUCATION

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	Page
Index of Funds	1
Board Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-13
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	14-15
Statement of Activities	16
Balance Sheets – Governmental Funds	17-18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22-42
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	43
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	44
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects	45

TABLE OF CONTENTS (CONT'D)

	Page
OTHER SUPPLEMENTAL INFORMATION:	
Schedule of Changes in School Activity Funds	46
Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	49-50
Schedule of Findings and Questioned Costs	51-53
Schedule of Expenditures of Federal Awards	54-55
Notes to Schedule of Expenditures of Federal Awards	56
Corrective Action Plan	57-58
Summary Schedule of Prior Audit Findings	59

PENDLETON COUNTY BOARD OF EDUCATION
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

GOVERNMENTAL FUND TYPES

General Current Expense

Special Revenue Funds

Restricted Projects

Capital Projects Funds

FIDUCIARY FUND TYPE

School Activity Funds

PENDLETON COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
JUNE 30, 2007

Title	Elected Officials	Term
Board Member	Grey M. Cassell	July 1, 2004 – June 30, 2008
Board Member	Rick Gillespie	July 1, 2006 – June 30, 2010
Board Member	Kevan R. Hoover	July 1, 2004 – June 30, 2008
Board Member	Teresa Bowers	July 1, 2006 – June 30, 2010
Board Member	James D. Wilkins, II	July 1, 2006 – June 30, 2010
	Appointed Officials	
Board President	James D. Wilkins, II	July 1, 2006 – June 30, 2008
Superintendent	Douglas S. Lambert	July 1, 2005 – June 30, 2007
Treasurer/Chief School Business Official	J. P. Mowery	October 1993 – Present



INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the
Pendleton County Board of Education
Franklin, West Virginia

We have audited the accompanying financial statements of the governmental activities, and each major fund, of Pendleton County Board of Education, as of and for the year ended June 30, 2007, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pendleton County Board of Education'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Pendleton County Board of Education, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the Board has implemented a new reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of June 30, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2008, on our consideration of the Pendleton County Board of Education'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 important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 43 through 45, are not a required part of the basic financial statements but are 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 required 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 the Pendleton County Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the accompanying other supplementary information of the schedule of changes in School Activity Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pendleton County Board of Education. 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.

Tetrick & Bartlett, PLLC

March 15, 2008

PENDLETON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

Our discussion and analysis of the Pendleton County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2007. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's net assets exceeded liabilities by \$10,692,193 at the close of the most recent fiscal year.
- The Board's total net assets decreased by \$(38,346).
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$49,714, an decrease of \$20,385 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was (\$183,902), or 2.4 percent of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the debt service fund, all of which are considered major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the Board cannot use these funds to finance its operations.

The Board uses an agency fund to account for resources held for student activities and groups.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found separately on pages 22 to 42 of this report.

PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$10,692,193 at the close of the most recent fiscal year.

	<u>Governmental Activities</u>
ASSETS	
Current and other assets	\$ 1,346,525
Capital assets	<u>12,888,834</u>
TOTAL ASSETS	\$ <u>14,235,359</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Current and other liabilities	\$ 1,291,277
Long-term liabilities outstanding	<u>2,251,889</u>
Total liabilities	<u>3,543,166</u>
Net Assets	
Invested in capital assets, net of related debt	12,888,834
Restricted	165,918
Unrestricted	<u>(2,362,559)</u>
Total net assets	<u>10,692,913</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>14,235,359</u>

A comparative analysis will be provided in future years when prior year information is available.

- The largest portion of the Board's net assets reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007

- An additional portion of the Board's net assets represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects.

At the end of the current fiscal year, the Board is able to report positive balances in two of the three categories of net assets.

The Board's net assets *decreased* by \$38,346 during the current year. The following discussion and analysis on governmental activities focuses on this *decrease*:

The key elements of the *decrease* of the Board's net assets for the year ended June 30, 2007:

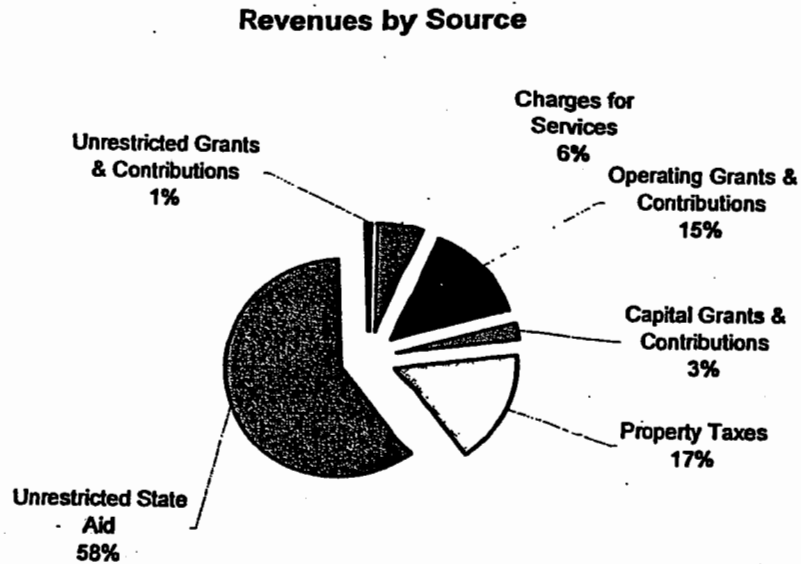
	<u>Governmental Activities</u>
Revenues:	
Program revenues:	
Charges for services	\$ 662,347
Operating grants and contributions	1,569,840
Capital grants and contributions	276,635
General revenues:	
Property taxes	1,822,776
Unrestricted state aid	6,395,971
Unrestricted investment earnings	30,066
Unrestricted grants and contributions	32,736
Total revenues	<u>10,790,371</u>
Expenses:	
Instruction	<u>6,224,308</u>
Supporting services:	
Students	378,703
Instructional staff	375,300
District admin.	277,097
School admin.	530,288
Business services	221,647
Operation and Maint.	924,833
Transportation	<u>1,215,968</u>
Total supporting services	<u>3,923,836</u>

**PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2007**

Food services	\$ 672,573
Community services	<u>8,000</u>
Total expenses	<u>10,828,717</u>
 Change in net assets before transfers	 (38,346)
Change in net assets	(38,346)
 Net assets – July 1, 2006	 <u>10,730,539</u>
Net assets – June 30, 2007	\$ <u>10,692,193</u>

A comparative analysis of revenues will be provided in future years when prior year information is available.

The following chart shows the Board's revenues for fiscal year ended June 30, 2007 by source:

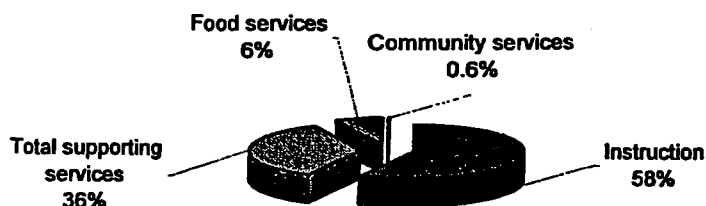


PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007

A comparative analysis of expenditures will be provided in future years when prior year information is available.

The following chart shows the Board's expenditures for fiscal year ended June 30, 2007 by function:

Expenditures by Function



Financial Analysis of the Board's Funds

As noted earlier, the School Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$49,714. Included in this year's change in the combined fund balance is a decrease in fund balance for the general current expense fund of \$152,685. Revenues exceeded expenditures by \$93,543 in the general fund, but net transfers were (\$216,037), resulting in the overall decrease.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Board's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. The Board had \$257,205 reserved for encumbrances and a combined undesignated fund balance (\$207,491).

PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007

General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an *increase* of \$534,328 or 6.8% in total general fund expenditures. The most significant difference may be summarized as follows:

- The sparse population allocation was re-classified to a general fund allocation from an original budget of special revenue fund. In addition, additional interest and property taxes were supplemented into the budget during the year.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$12,888,834 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was less than one percent.

Major capital asset events during the current fiscal year included the following:

Vehicles (Buses) were purchased in the amount of \$121,200. Construction in progress consisted of the Brandywine Elementary Renovation Project and the Pendleton County Middle/High School Bleacher Project totaling \$300,904. Accumulated Depreciation for the year totaled \$449,402.

	<u>Governmental Activities</u>
Land	\$ 453,527
Buildings and improvements	11,293,388
Furniture and equipment	138,482
Vehicles	702,533
Construction in process	<u>300,904</u>
Total capital assets	\$ <u>12,888,834</u>

**PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007**

Long-term debt. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2007, the liability for such costs was \$2,251,889, which is included in the district-wide financial statement of net assets. The obligation for compensated absences for vacations was \$58,684 at June 30, 2007.

	<u>Governmental Activities</u>
Compensated absences	\$ 58,684
Accrued sick leave	<u>2,251,889</u>
Total debt outstanding	\$ <u>2,310,573</u>

Factors Bearing on the Board's Future

At the time these financial statements were prepared and audited, the Board was aware of circumstances that could significantly affect its financial health in the future:

- The Board is currently operating in a severe deficit situation in the general current expense fund. The deficit is likely to increase if the state funding formula is not adequately changed to address the issue of inadequate funding for rural, sparsely populated counties. If no assistance is forthcoming, the Board could have difficulty having enough cash on hand to pay its obligations for the FY 2008-09 school year.

**PENDLETON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2007**

Contacting the Board's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Office at 108 Walnut Street, Franklin, WV 26807.

PENDLETON COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 699,107
Deposit with Workers' Compensation Commission	65,977
Taxes receivable, net of allowance for uncollectible taxes	53,349
Other receivables	153,694
Due from other governments:	
State aid receivable	55,918
PEIA allocation receivable	147,741
Reimbursements receivable	170,739
Capital Assets	
Land	474,820
Buildings and improvements	15,001,143
Furniture and equipment	698,211
Vehicles	1,682,651
Construction in process	300,904
Less accumulated depreciation	<u>(5,268,895)</u>
Total capital assets, net of depreciation	<u>12,888,834</u>
TOTAL ASSETS	<u>14,235,359</u>

Governmental
Activities

LIABILITIES AND NET ASSETS

Liabilities

Salaries payable and related payroll liabilities	\$ 630,120
PEIA premiums payable	181,222
Compensated absences	58,684
Accounts payable	223,693
Deferred revenue special projects	197,558
Long-term obligations:	
Due within one year:	
Accrued sick leave payable	123,629
Due beyond one year:	
Accrued sick leave payable	<u>2,128,260</u>
Total liabilities	<u>3,543,166</u>

Net Assets

Invested in capital assets, net of related debt	12,888,834
Restricted for:	
Special projects	165,918
Unrestricted (deficit)	<u>(2,362,559)</u>

Total net assets	\$ <u>10,692,193</u>
------------------	----------------------

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense), Revenue & Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Instruction	\$ 6,224,308	\$ 117,868	\$ 886,725	\$ 276,635	\$(4,943,080)
Supporting services:					
Students	378,703	134,229	56,892	-0-	(187,582)
Instructional staff	375,300	-0-	56,161	-0-	(319,139)
District administration	277,097	-0-	40,366	-0-	(236,731)
School administration	530,288	-0-	77,075	-0-	(453,213)
Business services	221,647	-0-	33,053	-0-	(188,594)
Operation and maintenance of facilities	924,833	-0-	141,087	-0-	(783,746)
Student transportation	1,215,968	-0-	278,481	-0-	(937,487)
Food services	672,573	410,250	-0-	-0-	(262,323)
Community services	8,000	-0-	-0-	-0-	(8,000)
Total governmental activities	<u>\$ 10,828,717</u>	<u>\$ 662,347</u>	<u>\$ 1,569,840</u>	<u>\$ 276,635</u>	<u>(8,319,895)</u>
General Revenues:					
Property taxes					1,822,776
Unrestricted state aid					6,395,971
Unrestricted investment earnings					30,066
Unrestricted grants and contributions					32,736
Transfers in					239,353
Transfers (out)					<u>(239,353)</u>
Total general revenues and transfers					<u>8,281,549</u>
Change in net assets					(38,346)
Net assets – beginning, as restated					<u>10,730,539</u>
Net assets – ending					<u>\$ 10,692,193</u>

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u> <u>Current</u> <u>Expense</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u>
ASSETS				
Cash and cash equivalents	\$ 380,002	\$ 324,368	\$(5,263)	\$ 699,107
Deposit with Workers' Comp. Commission	65,977	-0-	-0-	65,977
Taxes receivable, net	53,349	-0-	-0-	53,349
Other receivables	67,097	86,597	-0-	153,694
Due from other governments:				
State aid receivable	52,906	3,012	-0-	55,918
PEIA allocation receivable	147,741	-0-	-0-	147,741
Reimbursements receivable	<u>-0-</u>	<u>-0-</u>	<u>170,739</u>	<u>170,739</u>
TOTAL ASSETS	\$ <u>767,072</u>	\$ <u>413,977</u>	\$ <u>165,476</u>	\$ <u>1,346,525</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Salaries payable and related payroll liabilities	\$ 579,235	\$ -0-	\$ -0-	\$ 579,235
PEIA premiums payable	155,646	25,576	-0-	181,222
Accounts payable	33,292	24,926	165,475	223,693
FICA payable	50,885	-0-	-0-	50,885
Deferred revenue	<u>64,218</u>	<u>197,557</u>	<u>-0-</u>	<u>261,775</u>
Total liabilities	<u>883,276</u>	<u>248,059</u>	<u>165,475</u>	<u>1,296,810</u>
Fund Balances				
Reserved for:				
Encumbrances	67,698	189,507	-0-	257,205
Unreserved:				
Undesignated	(183,902)	(23,589)	<u>-0-</u>	<u>(207,491)</u>
	<i>Deficit</i>			
Total fund balances	<u>(116,204)</u>	<u>165,918</u>	<u>-0-</u>	49,714
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>767,072</u>	\$ <u>413,977</u>	\$ <u>165,475</u>	

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
 BALANCE SHEET -
 GOVERNMENTAL FUNDS (CONT'D)
 JUNE 30, 2007

	<u>General</u>	<u>Special</u>	<u>Capital</u>	
	<u>Current</u>	<u>Revenue</u>	<u>Projects</u>	<u>Total</u>
	<u>Expense</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
Amounts reported for governmental activities in the statement of net assets differ due to:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				\$ 12,888,834
Deferred charges are not reported in the funds				64,218
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds				
Accrued sick leave payable				(2,251,889)
Compensated absences				(58,684)
Net assets of governmental activities				\$ <u>10,692,193</u>

The accompanying notes to the financial statements are an integral part of this statement.

**PENDLETON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General</u> <u>Current</u> <u>Expense</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u>
Revenues				
Property taxes	\$ 1,791,297	\$ -0-	\$ -0-	\$ 1,791,297
Other local sources	99,452	174,800	-0-	274,252
State sources	6,470,636	748,267	270,739	7,489,642
Federal sources	250,592	916,573	-0-	1,167,165
Miscellaneous sources	3,797	-0-	-0-	3,797
Total revenues	<u>8,615,774</u>	<u>1,839,640</u>	<u>270,739</u>	<u>10,726,153</u>
Expenditures				
Instruction	4,973,854	885,603	-0-	5,859,457
Supporting services:				
Students	336,645	40,377	-0-	377,022
Instructional staff	277,268	95,360	-0-	372,628
Central administration	262,172	5,940	-0-	268,112
School administration	510,848	-0-	-0-	510,848
Business and Central Services	224,064	2,152	-0-	226,216
Operation and maintenance of facilities	834,474	28,882	-0-	863,356
Student transportation	1,094,906	122,435	-0-	1,217,341
Food services	-0-	637,242	-0-	637,242
Community services	8,000	-0-	-0-	8,000
Capital outlay	-0-	135,577	270,739	406,316
Total expenditures	<u>8,522,231</u>	<u>1,953,568</u>	<u>270,739</u>	<u>10,746,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>93,543</u>	<u>(113,928)</u>	<u>-0-</u>	<u>(20,385)</u>
Other Financing Sources (Uses)				
Transfers in	11,658	227,695	-0-	239,353
Transfers (out)	<u>(227,695)</u>	<u>(11,658)</u>	<u>-0-</u>	<u>(239,353)</u>
Total other financing sources (uses)	<u>(216,037)</u>	<u>216,037</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>(122,494)</u>	<u>102,109</u>	<u>-0-</u>	<u>(20,385)</u>
Fund balances – beginning	15,538	182,355	-0-	197,893
Restatement of fund balance	<u>(9,248)</u>	<u>(118,546)</u>	<u>-0-</u>	<u>(127,794)</u>
Fund balances – beginning, as restated	<u>6,290</u>	<u>63,809</u>	<u>-0-</u>	<u>70,099</u>
Fund balances (deficit) – ending	\$ <u>(116,204)</u>	\$ <u>165,918</u>	\$ <u>-0-</u>	\$ <u>49,714</u>

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

PENDLETON COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 03, 2007

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

Net change in fund balances – total governmental funds	\$ (20,385)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceed depreciation in the current period.</p>	
Depreciation expense	(449,402)
Capital outlays	422,104
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, rather they are reported as deferred revenues.</p>	
	64,218
<p>Compensated absences are reported as liabilities in the statement of net assets, but are only reported in governmental funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.</p>	
Accrued vacation payable	(8,182)
Accrued sick leave payable	(46,699)
Change in net assets of governmental activities.	\$ (<u>38,346</u>)

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

PENDLETON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>163,592</u>
TOTAL ASSETS	\$ <u>163,592</u>
LIABILITIES	
Liabilities	
Due to student groups	\$ <u>163,592</u>
TOTAL LIABILITIES	\$ <u>163,592</u>

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

PENDLETON COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 1,725,795	\$ 1,776,795	\$ 1,791,297	\$ 14,502
Other local sources	105,000	105,000	99,452	(5,548)
State sources	6,028,600	6,477,598	6,470,636	(6,962)
Federal sources	230,000	256,619	250,592	(6,027)
Miscellaneous sources	-0-	-0-	3,797	3,797
Total revenues	<u>8,089,395</u>	<u>8,616,012</u>	<u>8,615,774</u>	<u>(238)</u>
Expenditures				
Instruction	4,422,500	4,773,002	4,973,854	(200,852)
Supporting services:				
Students	279,600	343,246	336,645	6,601
Instructional staff	279,100	290,483	277,268	13,215
Central administration	258,100	266,321	262,172	4,149
School administration	557,000	518,000	510,848	7,152
Business	219,900	229,012	224,064	4,948
Operation and maintenance of facilities	808,100	845,814	834,474	11,340
Student transportation	1,001,095	1,093,754	1,094,906	(1,152)
Community services	8,000	8,000	8,000	-0-
Capital outlay	-0-	22,917	-0-	22,917
Total expenditures	<u>7,833,395</u>	<u>8,390,549</u>	<u>8,522,231</u>	<u>(131,682)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>256,000</u>	<u>225,463</u>	<u>93,543</u>	<u>(131,920)</u>
Other Financing Sources (Uses)				
Transfers in	-0-	-0-	11,658	11,658
Transfers (out)	(226,000)	(241,000)	(227,695)	13,305
Total other financing sources (uses)	<u>(226,000)</u>	<u>(241,000)</u>	<u>(216,037)</u>	<u>24,963</u>
Change in fund balances	30,000	(15,537)	(122,494)	(106,957)
Fund balances – beginning (restated)	<u>-0-</u>	<u>15,537</u>	<u>6,290</u>	<u>(9,247)</u>
Fund balances – ending	\$ <u>30,000</u>	\$ <u>-0-</u>	\$ <u>(116,204)</u>	\$ <u>(116,204)</u>

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources	\$ 134,245	\$ 194,602	\$ 174,800	\$(19,802)
State sources	1,269,892	1,210,087	748,267	(461,820)
Federal sources	<u>937,043</u>	<u>1,065,530</u>	<u>916,573</u>	<u>(148,957)</u>
Total revenues	<u>2,341,180</u>	<u>2,470,219</u>	<u>1,839,640</u>	<u>(630,579)</u>
Expenditures				
Instruction	817,488	1,393,245	885,603	507,642
Supporting services:				
Students	-0-	56,815	40,377	16,438
Instructional staff	-0-	172,956	95,360	77,596
Central administration	-0-	10,376	5,940	4,436
Business	-0-	3,123	2,152	971
Operation and maintenance of facilities	-0-	59,111	28,882	30,229
Student transportation	114,893	123,835	122,435	1,400
Food services	622,200	662,340	637,242	25,098
Capital outlay	-0-	<u>294,174</u>	<u>135,577</u>	<u>158,597</u>
Total expenditures	<u>1,554,581</u>	<u>2,775,975</u>	<u>1,953,568</u>	<u>822,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>786,599</u>	<u>(305,756)</u>	<u>(113,928)</u>	<u>191,828</u>
Other Financing Sources (Uses)				
Transfers in	226,000	235,569	227,695	(7,874)
Transfers (out)	-0-	<u>(20,265)</u>	<u>(11,658)</u>	<u>8,607</u>
Total other financing sources (uses)	<u>226,000</u>	<u>215,304</u>	<u>216,037</u>	<u>733</u>
Change in fund balances	1,012,599	(90,452)	102,109	192,562
Fund balance -- beginning (restated)	-0-	-0-	<u>63,809</u>	<u>63,809</u>
Fund balances -- ending	\$ <u>1,102,599</u>	\$ <u>(90,452)</u>	\$ <u>165,918</u>	\$ <u>256,371</u>

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTAL INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amount</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
State sources	\$ -0-	\$ <u>100,000</u>	\$ <u>270,739</u>	\$ <u>170,739</u>
Total revenues	<u>-0-</u>	<u>100,000</u>	<u>270,739</u>	<u>170,739</u>
Expenditures				
Capital outlay	-0-	<u>100,000</u>	<u>270,739</u>	<u>(170,739)</u>
Total expenditures	<u>-0-</u>	<u>100,000</u>	<u>270,739</u>	<u>(170,739)</u>
Net change in fund balances	-0-	-0-	-0-	-0-
Fund balance – beginning	-0-	-0-	-0-	-0-
Fund balance – ending	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

The accompanying notes to the financial statements are an integral part of this statement.

PENDLETON COUNTY BOARD OF EDUCATION
 SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Beginning</u> <u>Cash</u> <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
Schools:				
Franklin Elementary School General Fund	\$ 25,295	\$ 76,701	\$ 72,843	\$ 29,153
Franklin Elementary School Faculty Senate Fund	5,535	9,873	9,366	6,042
Brandywine Elementary School General Fund	14,908	34,253	30,772	18,389
Brandywine Elementary School Faculty Senate Fund	3,337	2,000	4,992	345
Pendleton County Middle/High School General Fund	75,713	292,592	276,002	92,303
Pendleton County Middle/High School Faculty Senate Fund	5,408	7,768	10,194	2,982
North Fork Elementary School General Fund	9,852	37,386	33,404	13,834
North Fork Elementary School Faculty Senate Fund	<u>331</u>	<u>2,000</u>	<u>1,787</u>	<u>544</u>
Total	\$ <u>140,379</u>	\$ <u>462,573</u>	\$ <u>439,360</u>	\$ <u>163,592</u>

The accompanying notes to the financial statements are an integral part of this statement.