

December 23, 2009

RE: Interboro School District  
General Obligation Bonds, Series A & B of 2010

Please find enclosed a sticker for the Official Statement for Interboro School District. The sticker shows a correction to the principal payment on 8/15/2020 and the total on the debt service schedule. Please insert the enclosed sticker on page C-3 over the Series B debt service schedule. Thank you for your attention to this matter.

<u>DATE</u>	<u>PRINCIPAL</u>	<u>COUPON</u>	<u>INTEREST</u>	<u>SEMI-ANNUAL DEBT SERVICE</u>	<u>ANNUAL DEBT SERVICE</u>
8/15/2010			214,486.67	214,486.67	
2/15/2011			160,865.00	160,865.00	375,351.67
8/15/2011	85,000	2.000%	160,865.00	245,865.00	
2/15/2012			160,015.00	160,015.00	405,880.00
8/15/2012	140,000	2.000%	160,015.00	300,015.00	
2/15/2013			158,615.00	158,615.00	458,630.00
8/15/2013	140,000	2.000%	158,615.00	298,615.00	
2/15/2014			157,215.00	157,215.00	455,830.00
8/15/2014	145,000	3.000%	157,215.00	302,215.00	
2/15/2015			155,040.00	155,040.00	457,255.00
8/15/2015	150,000	2.300%	155,040.00	305,040.00	
2/15/2016			153,315.00	153,315.00	458,355.00
8/15/2016	400,000	2.650%	153,315.00	553,315.00	
2/15/2017			148,015.00	148,015.00	701,330.00
8/15/2017	1,345,000	2.750%	148,015.00	1,493,015.00	
2/15/2018			129,521.25	129,521.25	1,622,536.25
8/15/2018	1,385,000	3.150%	129,521.25	1,514,521.25	
2/15/2019			107,707.50	107,707.50	1,622,228.75
8/15/2019	1,435,000	3.300%	107,707.50	1,542,707.50	
2/15/2020			84,030.00	84,030.00	1,626,737.50
8/15/2020	1,480,000	3.500%	84,030.00	1,564,030.00	
2/15/2021			58,130.00	58,130.00	1,622,160.00
8/15/2021	1,540,000	3.700%	58,130.00	1,598,130.00	
2/15/2022			29,640.00	29,640.00	1,627,770.00
8/15/2022	1,560,000	3.800%	29,640.00	1,589,640.00	
2/15/2023					1,589,640.00
	9,805,000		3,218,704.17	13,023,704.17	13,023,704.17

**NEW ISSUE**  
**Bank Qualified**

**S&P Ratings: "AA-" underlying** See "Ratings" herein

*In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder. Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax. For further information concerning federal and state tax matters relating to the Bonds, see "Tax Exemption and Certain Other Tax Matters" herein.*

*The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. For a more complete discussion, see "TAX MATTERS -Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations" herein.*

**\$12,380,000**  
**INTERBORO SCHOOL DISTRICT**  
**Delaware County, Pennsylvania**  
**\$2,575,000 General Obligation Bonds, Series A of 2010**  
**\$9,805,000 General Obligation Bonds, Series B of 2010**

**Dated:** December 15, 2009

**Due:** Series A: July 15, as show on inside front cover

**Due:** Series B: August 15, as show on inside front cover

**First Interest Payment:** Series A: July 15, 2010

**Interest Due:** Series A: January 15 and July 15

**First Interest Payment:** Series B: August 15, 2010

**Interest Due:** Series B: February 15 and August 15

The General Obligation Bonds, Series A of 2010, in the aggregate principal amount of \$2,575,000 (the "Series A Bonds") and the General Obligation Bonds, Series B of 2010 in the aggregate principal amount of \$9,805,000 (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"), will be issued in fully registered form, without coupons, in the denomination of \$5,000 principal amount and integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of the Depository Trust Company ("DTC"), New York, New York and beneficial ownership of the Bonds may be acquired only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

Manufacturers and Traders Trust Company (the "Paying Agent") will serve as paying agent and sinking fund depository for the Bonds. Interest on the Series A Bonds is payable initially on July 15, 2010 and semiannually thereafter on January 15 and July 15 of each year, and for the Series B Bonds initially on August 15, 2010 and semiannually thereafter on February 15 and August 15 of each year, until the principal sum thereof is paid. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, and interest on, the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments of DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent. See "Description of the Bonds" herein.

In the Resolution adopted by the Board of School Directors of Interboro School District, Delaware County, Pennsylvania (the "School District") on October 1, 2009, authorizing and securing the Bonds (the "Resolution"), the School District has covenanted with the registered owners of the Bonds that it will to the fullest extent permitted by applicable law include the amount of the debt service to be paid on the Bonds for each fiscal year in which such sums are payable in its budget for that year and will appropriate such amounts to the payment of such debt service; and shall duly and punctually pay or cause to be paid from the Sinking Fund (hereinafter defined), or other revenues or funds of the School District, the principal of and interest on the Bonds on the dates, at the place and in the manner stated in the Bonds, according to the true intent and meaning thereof; and for such budgeting, appropriation and payment the School District pledges its full faith, credit and taxing power subject to the limitations of the Taxpayer Relief Act (Act 1) (See "TAXING POWERS OF THE SCHOOL DISTRICT" herein). As provided in the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, 53 Pa. C.S. Chs. 80-82 (the "Act"), the foregoing covenant shall be specifically enforceable.

The Bonds are offered for delivery when, as and if issued by the School District subject to the approval of legality by Fox Rothschild LLP, Blue Bell, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Fox Rothschild LLP, Blue Bell, Pennsylvania, Solicitor for the School District. It is expected that the Bonds in definitive form will be available for delivery in New York, New York on or about January 5, 2010.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**ROBERT W. BAIRD & CO.**

**Date:** December 3, 2009

**\$12,380,000**  
**INTERBORO SCHOOL DISTRICT**  
Delaware County, Pennsylvania

**\$2,575,000 General Obligation Bonds, Series A of 2010**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>
2010	\$820,000	2.000	100.683	2012	\$885,000	2.000	101.860
2011	870,000	1.000	100.000				

**\$9,805,000 General Obligation Bonds, Series B of 2010**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>
2011	\$85,000	2.000	101.432	2017	\$1,345,000	2.750	97.974
2012	140,000	2.000	101.920	2018	1,385,000	3.150	99.251
2013	140,000	2.000	101.573	2019	1,435,000	3.300	99.183
2014	145,000	3.000	104.382	2020	1,480,000	3.500	99.121
2015	150,000	2.300	99.737	2021	1,540,000	3.700	99.065
2016	400,000	2.650	99.397	2022	1,560,000	3.800	99.008

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the Interboro School District (the “Issuer”) or by Robert W. Baird & Co., the Underwriter, to give any information or to make any representations other than those contained herein, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer.

Cover Page .....	i
Board of School Directors .....	iv
Summary Statement .....	v
Introduction .....	1
Purpose of the Issue .....	1
Plan of Finance .....	1
The School District .....	2
Security for the Bonds .....	2
Description of the Bonds .....	4
Book-Entry Only System .....	5
Redemption Provisions .....	7
Sources and Uses of Funds .....	8
Revenue from Commonwealth Sources .....	9
School District Debt Statement and Borrowing Capacity .....	9
School District Pension Program .....	10
Taxing Powers of the School District .....	10
Labor Relations .....	14
School District Financial History .....	14
Future Financing .....	14
Tax Exemption and Other Tax Matters .....	15
Continuing Disclosure Undertaking .....	16
Miscellaneous .....	17
Appendix A - Summaries of Financial Statements of the School District .....	A-1
Appendix B - Description of the School District and Financial Factors .....	B-1
Appendix C - Bond Amortization Schedules .....	C-1
Appendix D - School District's 2008 Audited Financial Statement .....	D-1

## **INTERBORO SCHOOL DISTRICT**

### **Board of School Directors**

Mr. Christopher Kelley .....	President
Mr. John N. Kaelin, Jr. ....	Vice President
Mr. William Taggart .....	Secretary
Mrs. Phyllis Floyd .....	Treasurer
Mr. John Liberati, CPA .....	Deputy Secretary/Treasurer
Mr. Paul Eckert .....	Member
Mrs. Meg Hall .....	Member
Mrs. Kathleen Hauger .....	Member
Mrs. Anne Krajewski .....	Member

### **Administrative Staff**

Dr. Lois Snyder. ....	Superintendent
Mr. Kenneth King .....	Director of Finance

### **School District Address**

900 Washington Avenue  
Prospect Park, Pennsylvania 19076-1412

### **School District Solicitor**

Fox Rothschild LLP  
Blue Bell, Pennsylvania

### **Bond Counsel to the School District**

Fox Rothschild LLP  
Blue Bell, Pennsylvania

### **Underwriter**

Robert W. Baird & Co.  
Exton, Pennsylvania

### **Paying Agent and Sinking Fund Depository**

Manufacturers and Traders Trust Company  
Harrisburg, Pennsylvania

## **SUMMARY STATEMENT**

This Summary Statement is subject in all respects to more complete information set forth in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without the entire Official Statement.

<b>Issuer</b> .....	Interboro School District, located in Delaware County, Pennsylvania. See "THE SCHOOL DISTRICT" herein.
<b>Bonds</b> .....	\$2,575,000 aggregate principal amount of General Obligation Bonds, Series A of 2010, maturing or subject to mandatory redemption in various principal amounts (as herein described) on July 15 of each of the years 2010 through and including 2012, dated December 15, 2009, with interest payable semiannually on January 15 and July 15 of each year, with the first interest payable July 15, 2010. \$9,805,000 aggregate principal amount of General Obligation Bonds, Series B of 2010, maturing or subject to mandatory redemption in various principal amounts (as herein described) on August 15 of each of the years 2011 through and including 2022, dated December 15, 2009, with interest payable semiannually on February 15 and August 15 of each year, with the first interest payable August 15, 2010. See "DESCRIPTION OF THE BONDS" herein.
<b>Redemption Provisions</b> .....	The Series A Bonds are not subject to optional redemption prior to maturity. The Series B Bonds stated to mature on or after August 15, 2015 will be callable in whole or in part on February 15, 2015 or any date thereafter, as a whole or from time to time in part, in such order of maturity or portion of each maturity as may be designated by the School District and within a maturity by lot, at 100% of the principal amount, plus accrued interest to the redemption date. See "REDEMPTION PROVISIONS" herein.
<b>Form</b> .....	Book Entry Only Bonds. See "DESCRIPTION OF THE BONDS" herein.
<b>Application of Proceeds</b> .....	Proceeds of the Series A Bonds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2001; and (2) pay the costs of issuing the Series A Bonds. Proceeds of the Series B Bonds will be used to: (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2004; and (2) pay the costs of issuing the Series B Bonds. See "PURPOSE OF THE ISSUE" and "PLAN OF FINANCE" herein.
<b>Security</b> .....	The Bonds are general obligations of the Issuer. See "SECURITY FOR THE BONDS" herein.
<b>Rating</b> .....	Standard and Poor's Rating Services has assigned its underlying rating of "AA-" to the Bonds. See "MISCELLANEOUS - Rating" herein.
<b>Record Date</b> .....	The 15 <sup>th</sup> day next preceding each interest payment date. See "DESCRIPTION OF THE BONDS" herein.

## **OFFICIAL STATEMENT**

### **INTERBORO SCHOOL DISTRICT Delaware County, Pennsylvania**

**\$2,575,000 General Obligation Bonds, Series A of 2010**  
**\$9,805,000 General Obligation Bonds, Series B of 2010**

#### **INTRODUCTION**

This Official Statement is furnished by Interboro School District, Delaware County, Pennsylvania (the "School District"), in connection with the offering of its General Obligation Bonds, Series A of 2010, in the aggregate principal amount of \$2,575,000 (the "Series A Bonds") and the General Obligation Bonds, Series B of 2010 in the aggregate principal amount of \$9,805,000 (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to, and are secured by, a Resolution of the Board of School Directors of the School District adopted on October 1, 2009 (the "Resolution") and pursuant to the Local Government Unit Debt Act, 53 Pa C.S. Chs. 80-82 (the "Act") of the Commonwealth of Pennsylvania (the "Commonwealth").

The Bonds shall be issued in book entry only form, in the denomination of \$5,000 principal amount and integral multiples thereof. Interest on the Series A Bonds is payable semiannually on January 15 and July 15 of each year, commencing July 15, 2010. Interest on the Series B Bonds is payable semiannually on February 15 and August 15 of each year, commencing August 15, 2010. Manufacturers and Traders Trust Company (the "Paying Agent") will serve as the paying agent and sinking fund depositary for the Bonds. The Bonds are transferable and principal and interest will be paid, in the manner described below (see "DESCRIPTION OF THE BONDS" herein). The Bonds are subject to optional and mandatory redemption as stated herein (see "REDEMPTION PROVISIONS" herein).

The information which follows contains summaries of the Bonds, the Resolution, the School District's budget and the School District's financial statements. Such summaries do not purport to be complete and reference is made to such information and documents, copies of which are on file and available for examination at the offices of the School District.

#### **PURPOSE OF THE ISSUE**

Proceeds of the Series A Bonds will be used to (1) currently refund the School District's outstanding General Obligation Bonds, Series of 2001 (the "2001 Bonds"); and (2) pay the costs and expenses related to the issuance of the Series A Bonds.

Proceeds of the Series B Bonds will be used to (1) currently refund all of the School District's outstanding General Obligation Bonds, Series of 2004 (the "2004 Bonds" and together with the 2001 Bonds, the "Refunded Debt"); and (2) pay the costs and expenses related to the issuance of the Series B Bonds.

#### **PLAN OF FINANCE**

A portion of the proceeds of the Series A Bonds will be irrevocably deposited in the sinking fund maintained by Manufacturers and Traders Trust Company, as paying agent for the 2001 Bonds, to redeem the 2001 Bonds on January 5, 2010, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2001 Bonds.



A portion of the proceeds of the Series B Bonds will be irrevocably deposited in the sinking fund maintained by Manufacturers and Traders Trust Company, as paying agent for the 2004 Bonds, to redeem the 2004 Bonds on January 5, 2010, at a redemption price of 100% of principal amount plus accrued interest, pursuant to the optional redemption provisions applicable to the 2004 Bonds.

## **THE SCHOOL DISTRICT**

The School District is a School District of the Third Class, as organized and existing under the laws of the Commonwealth.

The governing body of the School District is a Board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The Board retains a Business Manager to serve as the chief financial officer of the School District. For additional information on financial and economic matters regarding the School District see "Summaries of Financial Statements of the School District" and "Description of the School District and Financial Factors" attached hereto as Appendices A and B, respectively.

## **SECURITY FOR THE BONDS**

### **Pledge of Taxing Power**

The Bonds are general obligations of the School District and are payable from its general taxes and revenues, including state subsidies. The limits on the taxing powers of the School District are described more fully under the caption "TAXING POWERS OF THE SCHOOL DISTRICT." The School District has covenanted in the Resolution that it, to the fullest extent permitted by applicable law (i) shall include the amount of the debt service to be paid on the Bonds, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay, or cause to be paid, from the Sinking Fund (hereinafter defined) created for the Bonds, or other revenues or funds of the School District, the principal of each of the Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power.

### **Sinking Funds**

In the Resolution, the School District has set forth that sinking funds designated "Sinking Fund - General Obligation Bonds, Series A of 2010" and "Sinking Fund - General Obligation Bonds, Series B of 2010" (together the "Sinking Funds"), shall be created and maintained with the Paying Agent, as sinking fund depository and segregated from each other and all other funds of the School District. The School District shall deposit in the Sinking Funds sufficient sums no later than the date when principal or interest is to become due on the Bonds so that on each payment date the Sinking Funds will contain amounts which, together with any other available funds therein, are sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Funds shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as

sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Funds.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Funds the principal of and interest on the Bonds when due and payable.

### **Actions in the Event of Default**

Subject to the exclusive representation of Bondholders by a trustee appointed under the Act, as described in the following paragraph, to the priorities established under the Act, and to any limitations upon individual rights of action properly provided in the Bonds or the Resolution, if the School District fails or neglects to pay or cause to be paid the principal of or interest on any Bond as the same becomes due and payable, whether at the stated maturity date or upon call for prior redemption, and such failure shall continue for thirty days, the holder of such Bond may bring suit in the court of common pleas of the county in which the School District is located. Any judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the School District, all as provided in the Act. The Act also provides other remedies to Bondholders to enforce the School District's covenants in respect of payment of the Bonds.

In the event the School District defaults in the payment of the principal of or the interest on any of the Bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for 30 days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Act provides that the holders of 25% in aggregate principal amount of the Bonds then outstanding may, upon appropriate action, appoint a trustee, who may be the Paying Agent, to represent the Bondholders. The trustee may, and upon request of the holders of 25% in principal amount of the Bonds then outstanding and upon being furnished with indemnity satisfactory to it shall, take such action on behalf of the Bondholders as is more specifically set forth in the Act. Such representation by the trustee shall be exclusive.

### **Security under Section 633 of the Public School Code of 1949**

Section 633 of the Public School Code of 1949, as amended by Act 154 of 1998 (the "School Code"), presently provides that if any school district fails to pay or to provide for the payment of any indebtedness, at the date of maturity or mandatory redemption, or any interest due on such indebtedness, or on any sinking fund deposit date, in accordance with the schedule under which the bonds or notes were issued, the Secretary of Education of the Commonwealth shall notify the board of school directors of its obligation and shall withhold from any Commonwealth appropriation due such school district an amount equal to the sum of such principal amount and shall pay over such amount directly to the bank acting as sinking fund depository for the bond issue.

The total Commonwealth reimbursement payable to the School District in the 2009-10 fiscal year is budgeted by the School District to be \$16,000,900, including \$494,100 in building reimbursement subsidy.

The withholding provisions of Section 633 are not part of any contract with the registered owners of the Bonds and may be amended or repealed by future legislation. The effectiveness of Section 633 may be limited by the application of other withholding provisions contained in the School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally. There can be no assurance, however, that any payments pursuant to such withholding provision will be made by the date on which such payments are due to the Bondholders.

## **DESCRIPTION OF THE BONDS**

### **General Provisions**

The Bonds shall be dated as of December 15, 2009, shall mature on the dates and in the amounts set forth on the inside front cover hereof and shall be payable as to interest on the Series A Bonds on January 15 and July 15 of each year, commencing July 15, 2010 and for the Series B Bonds, February 15 and August 15 of each year, commencing August 15, 2010, at the rates set forth on the inside front cover. The Bonds shall be subject to redemption prior to maturity as described below.

All of the Bonds will be registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), as registered owner. Purchases of Bonds may be made in book-entry only form, in denominations of \$5,000 principal amount and integral multiples thereof, but only through brokers and dealers who are, or act through, DTC Participants (See "Book-Entry Only System" herein). Purchasers of Bonds ("Beneficial Owners") will not receive certificates representing their interests in the Bonds and must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant, so long as they desire to retain an ownership interest in Bonds. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners or holders of the Bonds shall mean Cede & Co., and not the Beneficial Owners of the Bonds.

Payments of principal and interest on the Bonds will be made directly to DTC by the Paying Agent on behalf of the School District, and DTC will, in turn, remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants (defined below), as more fully described below.

### **Payment of Principal and Interest**

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds (See "Book-Entry Only System" herein), payments of principal of, and interest on, the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid. If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:*

The principal of certificated Bonds will be paid, when due, to the registered owners thereof or their transferees upon presentation and surrender of the Bonds at the designated corporate trust office of the Paying Agent presently located in Harrisburg, Pennsylvania.

Interest will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the first interest payment date, in which event such Bond shall bear interest from December 15, 2009, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially on July 15, 2010 and thereafter semiannually on January 15 and July 15 of each year until the principal sum thereof is paid for the Series A Bonds and August 15, 2010 and thereafter semiannually on February 15 and August 15 for the Series B Bonds.

Interest on a certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15<sup>th</sup>) day next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing.

If the date for the payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions in the Commonwealth are authorized or required by law or executive order to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### **Transfer, Exchange and Registration of Bonds**

*Subject to the provisions described below under "BOOK-ENTRY ONLY SYSTEM,"* certificated Bonds are transferable or exchangeable by the registered owners thereof upon surrender of such Bonds to the Paying Agent, at its designated corporate trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required to issue or to register the transfer of or exchange any Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15<sup>th</sup>) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed, or to register the transfer of or exchange any portion of any Bond selected for redemption until the redemption date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity and interest rate.

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

## **REDEMPTION PROVISIONS**

### **Optional Redemption**

The Series A Bonds are not subject to optional redemption prior to maturity. The Series B Bonds stated to mature on and after August 15, 2015 are subject to redemption prior to maturity, at the option of the School District, as a whole or in part, on February 15, 2015 or any date thereafter upon payment of the principal amount thereof, together with accrued interest to the date fixed for redemption. If less than all Bonds are to be redeemed at any time, the Bonds shall be redeemed in such order of maturity as the School District shall select. If less than all Bonds of any maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the Paying Agent.

## **Manner of Redemption**

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

## **Notice of Redemption**

Notice of redemption shall be deposited in first class mail not less than 30 days nor more than 60 days prior to the date fixed for redemption and addressed to the registered owners of Bonds to be redeemed at their addresses shown on the registration books kept by the Paying Agent as of the day such Bonds are selected for redemption. Failure to mail any such notice of redemption or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal being redeemed and accrued interest thereon to the date fixed for redemption.

If the date for payment of the principal of, premium, if any, or interest on any of the Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the municipality where the designated corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or on a day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

## **SOURCES AND USES OF FUNDS**

### **Sources of Funds**

	<b>Series A</b>	<b>Series B</b>
Proceeds	\$2,575,000.00	\$9,805,000.00
Accrued Interest	<u>2,377.78</u>	<u>17,873.89</u>
Total Sources of Funds	\$2,577,377.78	\$9,822,873.89

### **Uses of Funds**

Est. Deposit to Redeem 2001 Bonds	\$2,566,695.35	
Est. Deposit to Redeem 2004 Bonds		\$9,618,297.92
Net Original Issue Discount/(Premium)	(22,061.60)	82,575.90
Accrued Interest	2,377.78	17,873.89
Financing Costs (1)	<u>30,366.25</u>	<u>104,126.18</u>
Total Uses of Funds	\$2,577,377.78	\$9,822,873.89

(1) Includes underwriter’s discount, legal, printing, rating, CUSIP, Paying Agent, bond redemption and miscellaneous fees.

**REVENUE FROM COMMONWEALTH SOURCES**

School districts in the Commonwealth receive financial assistance from the Pennsylvania Department of Education. The amount of such assistance is based upon (i) the market value of real estate per weighted average daily membership, (ii) income per weighted average daily membership and (iii) the school district’s tax effort, all as compared with such figures on a state-wide basis. The basic instructional subsidy received by a School District is calculated by multiplying the number of students in weighted average daily membership by the School District’s Market Value/Personal Income Aid Ratio and by the factor for educational expense.

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly. As of the date of this Official Statement, the Commonwealth of Pennsylvania has failed to adopt a budget for fiscal year 2009-10. The budget was required to be adopted no later than July 1, 2009. Until a budget is adopted by the Pennsylvania General Assembly and signed by the Governor, state subsidies to school districts, including the School District, cannot be paid. The School District does not anticipate the delay in the state subsidy payments will impact upon its ability to pay principal and interest on the Bonds.

Debt Service and sinking fund reimbursement from the Commonwealth for school projects is determined by the “Reimbursable Percentage” assigned to the school building project and by the school district’s “Market Value Aid Ratio” or “Capital Account Reimbursement Factor”, whichever is higher. The School District’s Market Value Aid Ratio is currently the higher at 58.91%. Most school building projects in Pennsylvania are eligible for Commonwealth reimbursement. Certain school building projects, such as school administration buildings and vehicle maintenance buildings, are ineligible for reimbursement. A reimbursable percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to the building project. This reimbursement percentage multiplied by the School District Market Value Aid Ratio determines the Commonwealth’s share of the annual lease rental or debt service for that school year.

**SCHOOL DISTRICT DEBT STATEMENT AND BORROWING CAPACITY**

The borrowing capacity of the School District is calculated in accordance with provisions of the Act, which describes the applicable debt limits for local government units, including school districts and municipalities. Under the Act, the School District may incur electoral debt, which is debt that is approved by a majority of the School District’s voters at either a general or special election, in an unlimited amount. Combined net nonelectoral debt, or debt not approved by the School District’s electorate net of debt qualified as subsidized debt by virtue of Commonwealth Aid, and net lease rental debt (debt represented by capital leases and other forms of agreement evidencing the acquisition of a capital asset) may not exceed 225% of the School District’s “Borrowing Base”. The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Act), for the three full fiscal years next preceding the date of incurring debt. The Borrowing Base of the School District is as follows, determined as provided in the Act:

Total Net Revenues for Three Fiscal Years .....	\$150,587,349
Borrowing Base – Average Total Net Revenues for Three-Year Period .....	\$50,195,783

The borrowing capacity of the School District is calculated below, as required by the Act.

A. ELECTORAL DEBT .....	\$	0
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#### B. NON-ELECTORAL DEBT

##### Computation of Net Non-Electoral Debt

a. Outstanding Principal (1) .....	\$35,170,000
b. Less: Deductions (described in the Act) (2).....	<u>0</u>
c. Net Non-Electoral Debt .....	\$35,170,000

#### C. LEASE RENTAL DEBT

##### Computation of Net Lease Rental Debt

a. Outstanding Principal under Lease .....	\$148,356
b. Less: Deductions (described in the Act) (2) .....	<u>0</u>
c. Net Lease Rental Debt .....	\$148,356

#### D. COMBINED BORROWING CAPACITY

##### Computation of Combined Borrowing Capacity

a. Debt Limit – 225% of Borrowing Base .....	\$112,940,512
b. Less: Combined Net Lease Rental Debt and Net Non-Electoral Debt .....	<u>35,318,356</u>
c. Current Combined Borrowing Capacity – Before Reimbursement .....	\$77,622,156

(1) including the Bonds, but excluding the Refunded Debt.

(2) The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by State sources.

### **SCHOOL DISTRICT PENSION PROGRAM**

School districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement Board. All of the School District full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year are required to participate in the program.

The contribution rates are set by the School Code, which requires contributions by active members, employers and the Commonwealth. Active members who began contributions prior to July 22, 1983, contribute at 5.25% or at 6.50% of the member's qualifying compensation. Members who began contributions after July 22, 1983 and who are active or inactive as of July 1, 2001, contribute at 6.25% or at 7.50% of the member's qualifying compensation. For all new hires the higher contribution rates began with service rendered on or after January 1, 2002. The contributions required of employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amounts are determined. For the fiscal year 08-09 the rate of employer contribution was 4.76% of covered payroll. The Commonwealth shares in the employer contribution at a rate which is at least one-half of the total employer rate. The School District has been current in making its required contributions.

### **TAXING POWERS OF THE SCHOOL DISTRICT**

#### **General Taxing Powers**

***Subject to the limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006 (see below),*** the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for minimum salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district (But see "The Taxpayer Relief Act (Act 1)" below); and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### **The Taxpayer Relief Act (Act 1)**

Pennsylvania Act No. 1 of the Special Session of 2006 ("The Taxpayer Tax Relief Act" or "Act 1") became effective June 27, 2006. Under the provisions of such Act, a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the court of common pleas (in the case of the exceptions numbered 1, 2 and 4 below) or the Pennsylvania Department of Education (PDE) (in the case of all other exceptions below):

1. to pay costs incurred in responding to or recovering from a declared emergency or disaster;
2. to pay costs incurred in implementing a court or administrative order;

3. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum; to pay interest and principal on indebtedness incurred within certain limits for academic elementary or secondary school building projects; to pay interest and principal on indebtedness for up to \$250,000 (adjusted annually by an inflationary factor) of the construction cost of a nonacademic school construction project; and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
4. to pay costs incurred in responding to conditions posing an immediate threat of serious physical harm or injury to persons;
5. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
6. to pay costs which were incurred in the implementation of a school improvement action plan under the federal No-Child Left Behind Act and not offset by a State allocation of funds;
7. to pay costs necessary to maintain per-student local tax revenue, adjusted by the Index, if the percentage growth in average daily attendance over a defined period between exceeds 7.5%, or to maintain actual instructional expense per student, adjusted by the Index, if the increase in actual instruction expense per student over a defined period is less than the Index;
8. to maintain revenues derived from real property taxes, earned income taxes, personal income taxes, basic education funding allocations from the State and special education funding allocations from the State, adjusted by the Index, for a school district where the percentage increase in revenues derived from such sources over a defined period is less than the Index;
9. to pay costs incurred for providing health care-related benefits which are directly attributable to collective bargaining agreements in effect on January 1, 2006, between the school district and its employees' organization if the anticipated increase in the cost of such benefits between the current year and the upcoming year is greater than the Index; and
10. To make payments into the State Public School Employees' Retirement System when the increase in the actual dollar amount of estimated payments between the current year and the upcoming year is greater than the Index.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 3 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be.

If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal

Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

In accordance with Act 1, the School District put a referendum question on the ballot at the May 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **not** approved by the voters.

A board of school directors may submit, but is not required to submit, a further referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of further funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate which is required to provide the maximum homestead and farmstead exclusions allowable under law.

### **Status of the Bonds Under Act 1**

The Bonds described in this Official Statement are being issued to refund the 2001 Bonds and the 2004 Bonds, which issues were authorized or "incurred" as interpreted by Act 1, by the School District under the Local Government Unit Debt Act prior to prior to June 27, 2006, the effective date of the Taxpayer Relief Act, and then the interest and principal payable on the Bonds are eligible for the exception to the referendum requirement described in paragraph 3 above upon attaining approval by Pennsylvania Department of Education.

The School District already has levied and has in place tax millage to provide for payment of the maximum annual debt service on the Refunded Debt. The maximum annual debt service on the Bonds will not be more than the maximum annual debt service on the Refunded Debt; and, therefore, the School District believes it will not be necessary for it to levy any new tax or to increase the rate of any existing tax in order to provide for payment of the interest and principal of the Bonds.

### **Act 130 of 2008**

Act 130 of 2008 of the Commonwealth amended the Local Tax Enabling Act so as to authorize school districts levying an occupation tax to replace that occupation tax with an increased earned income tax or, if the school district has implemented a personal income tax in accordance with the Taxpayer Relief Act, an increased personal income tax, in a revenue neutral manner. To so replace an occupation tax, the board of school directors must first hold at least one public hearing on the matter and then place a binding referendum question on the ballot at a general or municipal election for approval by the voters.

### **Act 48 of 2003**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

Total Budgeted Expenditures:	Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total budgeted Expenditures:
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

### **LABOR RELATIONS**

Presently there are approximately 617 employees of the School District, including approximately 299 teachers, 27 administrators and managers, 75 support personnel including secretaries, confidential secretaries, technology support, custodial and maintenance staff, cafeteria staff and teachers assistants. The District also employs 150 part-time hourly employees including teachers’ assistants and 66 bus drivers which also include bus monitors.

The School District’s teachers are represented by the Interboro Education Association, an affiliate of the Pennsylvania State Education Association (PSEA) under a contract with the School District which expired on June 30, 2009. The School District and Interboro Education Association have reached a tentative agreement which will expire on June 30, 2011.

The School District’s support personnel are represented by the Interboro Bus Drivers Association and the Interboro Education Personnel Association under contracts with the School District which expire June 30, 2010 and 2011 respectively. The Interboro Custodial/Maintenance Group is represented by the Service Employees International Union Local 32BJ under a contract which expires on June 30, 2009. The School District and the Service Employees International Union Local 32BJ have reached a tentative agreement which is expected to be accepted by both parties.

### **SCHOOL DISTRICT FINANCIAL HISTORY**

The School District and its predecessors have never defaulted on the payment of lease rentals or debt service.

The status of the School District’s present indebtedness is shown above under “School District Debt Statement and Borrowing Capacity”.

### **FUTURE FINANCING**

The School District does not anticipate any additional non-refunding long term financing within the next five years.

## **TAX EXEMPTION AND OTHER TAX MATTERS**

On the date of delivery of the Bonds, Fox Rothschild LLP (“Bond Counsel”) will issue an opinion to the effect that under existing laws as enacted and construed as of the date of initial delivery of the Bonds, interest on the Bonds is excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, although in the case of certain corporations and entities treated as corporations for Federal income tax purposes, such interest may be indirectly subject to the alternative minimum tax because of its inclusion in the income reported for financial accounting purposes or earnings and profits of the holder. In addition, interest on any Bonds held by certain foreign corporations may be subject to the branch profits tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder. This opinion of Bond Counsel will assume the accuracy of certifications made by the School District and will be subject to the condition that the School District complies with all requirements of the Code. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price less than the stated redemption price of such Bonds at maturity (that is, at less than par or the stated principal amount), the difference being “original issue discount.” Generally, original issue discount accruing on a tax-exempt obligation is treated as interest entitled to the same tax exemption and alternative minimum tax status as regular interest. In addition, original issue discount that has accrued on a tax-exempt obligation increases the holder’s tax basis for purposes of determining taxable gain or loss upon sale or other disposition of such obligation prior to maturity. The Code provides specific rules for the accrual of original issue discount on tax-exempt obligations for Federal income tax purposes. Prospective purchasers of Bonds being sold with original issue discount should consult their tax advisors for further information.

Certain maturities of the Bonds may be sold to the public in the initial offering at a price greater than the stated redemption price of such Bonds at maturity (that is, at greater than par or the stated principal amount), the difference being “original issue premium.” Generally, original issue premium is amortizable ratably over the term of the obligation through reduction in the holder’s tax basis for purposes of determining taxable gain or loss upon the sale or other disposition of such obligation prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the obligation rather than creating a deductible expense or loss. The Code provides specific rules for the amortization of original issue premium on tax-exempt obligations for Federal income tax purposes. Prospective purchasers of Bonds being sold with original issue premium should consult their tax advisors for further information.

Ownership of the Bonds may result in collateral Federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain Subchapter S corporations with substantial passive income and Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion as to such collateral tax consequences, and prospective purchasers of the Bonds should consult their tax advisors as to such matters.

### **Certain Pennsylvania Tax Matters**

On the date of delivery of the Bonds, Bond Counsel will issue an opinion to the effect that, under the laws of the Commonwealth of Pennsylvania as enacted and construed as of the date of initial delivery of the Bonds, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax.

## **Federal Income Tax Interest Expense Deductions for Financial Institutions**

Under the Code, as amended, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations” under Section 265 of the Code.

*Each of the Bonds has been designated, or is “deemed designated”, as a “qualified tax-exempt obligation” for purposes and effect contemplated by Section 265 of the Code, as amended by the American Recovery and Reinvestment Act of 2009 (relating to expenses and interest relating to tax-exempt income of certain financial institutions).*

Financial institutions intending to purchase Bonds should consult with their professional tax advisors to determine the effect of the interest expense disallowance on their federal income tax liability.

## **Information Reporting**

Under 2006 amendments to the Internal Revenue Code, payments of interest on the Bonds will be reported to the Internal Revenue Service by the payor on Form 1099 unless the Bondholder is an “exempt person” under Section 6049 of the Code. A Bondholder who is not an exempt person may be subject to “backup withholding” at a specified rate prescribed in the Code if the Bondholder does not file Form W-9 with the payor advising the payor of the Bondholder’s taxpayer identification number. Bondholders should consult with their brokers regarding this matter.

The Paying Agent will report to the Bondholders and to the Internal Revenue Service for each calendar year the amount of any “reportable payments” during such year and the amount of tax withheld, if any, with respect to payments made on the Bonds.

## **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the School District (being an “obligated person” with respect to \$10,000,000 or more of outstanding securities, including the Bonds, within the meaning of the Rule) will agree:

(i) to file annually with the Municipal Securities Rulemaking Board’s (the “MSRB”) Electronic Municipal Market Access (“EMMA”) System not later than 180 days following the end of each fiscal year of the School District, beginning with the fiscal year ending June 30, 2009, the following financial information and operating data with respect to the School District:

- The financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- A copy of the budget for the current fiscal year
- The statement of the total assessed value and market value of all taxable real estate for the current fiscal year
- The taxes and millage rates imposed for the current fiscal year
- The real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year’s levy and as an aggregate dollar amount), (3) the amount of

real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)

- A list of the ten (10) largest real estate taxpayers and, for each the total assessed value of real estate for the current fiscal year
- Pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible)

(ii) in a timely manner to file with EMMA notice of the occurrence if any, of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes.

(iii) in a timely manner, to file with EMMA notice of a failure, if any, to provide required annual financial information, on or before the date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, but School District does not commit to provide any such notice of the occurrence of any events except those specifically listed above.

Beginning on July 1, 2009, municipal securities issuers were required to electronically file their continuing disclosures, as necessary, solely with the MSRB. These filings shall be made with EMMA. According to the terms of the amendment to the Rule, this change only affects the process for submission of continuing disclosures by municipal securities issuers and does not impose new disclosure obligations on municipal securities issuers. Submissions made with EMMA by municipal securities issuers will satisfy submission obligations to the multiple National Recognized Municipal Securities Repositories ("NRMSRS") under existing continuing disclosure agreements.

The School District reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the School District no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders or beneficial owners of the Bonds and shall be enforceable by the holders or beneficial owners of such Bonds; provided that the Bondholders' right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

The School District has complied with previous undertakings to provide continuing disclosure to the fiscal year end 2006; however the 2007 disclosure report was submitted past the 180 day grace period. The 2008 disclosure report was filed within the 180 day grace period.

## **MISCELLANEOUS**

### **No Litigation**

As a condition of settlement for the Bonds, the School District and its Solicitor will deliver a certificate stating that there is no litigation, of any nature, pending or threatened against the School District to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or if any such



litigation is pending or threatened, an opinion of counsel satisfactory to the Underwriter that any such litigation is without merit.

### **Legal Opinion**

The issuance and delivery of the Bonds is subject to delivery of the unqualified approving legal opinion of Fox Rothschild LLP, Blue Bell, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Fox Rothschild LLP, Blue Bell, Pennsylvania, Solicitor to the School District.

### **Underwriting**

The Underwriter has agreed, subject to certain conditions, to purchase the Series A Bonds from the School District at an aggregate price of \$2,577,749.10 (representing the par amount of the Series A Bonds, plus net original issue premium of \$22,061.60, less underwriter's discount of \$19,312.50) plus accrued interest from the dated date of the Bonds to the date of settlement on the Bonds. The Underwriter has agreed, subject to certain conditions, to purchase the Series B Bonds from the School District at an aggregate price of \$9,648,886.60 (representing the par amount of the Series B Bonds, less net original issue discount of \$82,575.90, less underwriter's discount of \$73,537.50) plus accrued interest from the dated date of the Bonds to the date of settlement on the Bonds. The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

### **Paying Agent**

The principal of the Bonds will be payable upon presentation of the Bonds at the corporate trust office of Manufacturers and Traders Trust Company, located in Harrisburg, Pennsylvania and Buffalo, New York. Interest on the Bonds will be paid by check mailed by the Paying Agent to the registered owners of the Bonds. (See "DESCRIPTION OF THE BONDS" above.)

### **Ratings**

Standard & Poor's Rating Agency, which has assigned the School District's "A" rating based on the state intercept program and assigned the underlying rating of "AA-". Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

### **Other**

All references to the provisions of the Act, the Bonds and the Resolution set forth in this Official Statement are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and this Official Statement does not purport to set forth complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services, and other sources which we

believe to be reliable; but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not representations of fact.

Use of the words "shall," "will," "must," or other words of similar import or meaning in summaries of documents or law in the Official Statement to describe future events or continuing obligations is not intended as a representation that such event will occur or such obligation will be fulfilled, but only that the document or law required or contemplated such event to occur or such obligation to be fulfilled.

The School District has authorized the distribution of this Official Statement.

INTERBORO SCHOOL DISTRICT  
Delaware County, Pennsylvania

By: /s/ *Christopher Kelley*

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Christopher Kelley, President  
Board of School Directors

**APPENDIX A**

**Summaries of  
Financial Statements of  
the School District**

## **FINANCIAL REVIEW**

The following Exhibit on page A-4 is a summary only and is not intended to be a complete report. For more complete information, the individual financial statements and the Budget of the School District should be reviewed at the School District's Business Office, Prospect Park, Pennsylvania.

### **Review of Recent General Fund Audited Financial Statements and Budget**

The exhibit on page A-4 is a five-year comparison of the School District's Audited General Fund Revenues and Expenditures, and the fiscal year 2009-10 Budget. The figures have been extracted from the School District's financial statements for the years considered and arranged in a form believed to be convenient for the purposes of this Official Statement.

### **Accounting Method**

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by State law.

### **Budgeting Process in School Districts under the Taxpayer Relief Act**

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district's petition, such Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

**INTERBORO SCHOOL DISTRICT**  
**Comparative Statement of General Fund Revenues**  
**and Expenditures for the Fiscal Years ending**  
**June 30, 2006 through 2009 and 2009-10 Budget**

	2005-06 <u>Audited</u>	2006-07 <u>Audited</u>	2007-08 <u>Audited</u>	2008-09 <u>Un-Audited</u>	2009-10 <u>Budgeted</u>
<b><u>REVENUES:</u></b>					
Local Sources	\$35,427,518	\$36,149,126	\$36,647,174	\$34,759,104	\$36,785,728
State Sources	11,990,139	12,709,666	13,239,803	15,994,104	16,000,900
Federal Sources	503,156	579,636	692,461	798,384	1,178,486
Other Sources	---	3	643,738	31,776	---
Est UnRev Balance	---	---	---	---	---
<b>TOTAL REVENUES</b>	<b>\$47,920,813</b>	<b>\$49,438,431</b>	<b>\$51,223,176</b>	<b>\$51,583,368</b>	<b>\$53,965,114</b>
<b><u>EXPENDITURES:</u></b>					
Instruction	\$27,248,609	\$28,610,564	\$30,527,032	\$32,087,518	\$33,313,322
Support Services	14,056,357	14,792,806	14,875,814	17,898,611	17,608,898
Non-instructional Services	686,522	667,105	718,032	779,76	800,970
Capital Outlay	---	---	171,931	327,608	1,336,064
Debt Service	2,712,854	2,695,174	2,694,825	2,845,756	3,011,315
Interfund Transfer	875,000	450,150	326,733	522,786	---
Other uses	---	---	---	---	---
Budgetary Reserve	---	---	---	---	---
<b>TOTAL EXPENDITURES</b>	<b>\$45,579,342</b>	<b>\$47,215,799</b>	<b>\$49,314,367</b>	<b>\$54,462,255</b>	<b>\$56,070,569</b>
Excess of Revenue Over/Under Expenditures:	2,341,471	2,222,632	1,908,809	(2,878,887)	(2,105,455)
Opening Fund Balance (July 1)	5,064,024	7,405,495	9,628,127	11,536,936	8,658,049
Prior Period Adjustment	---	---	---	---	---
Ending Fund Balance (June 30)	<u>\$7,405,495</u>	<u>\$9,628,127</u>	<u>\$11,536,936</u>	<u>\$8,658,049</u>	<u>\$6,552,594</u>

## **APPENDIX B**

### **Description of the School District and Financial Factors**

## **DESCRIPTION OF THE SCHOOL DISTRICT**

The School District consists of the boroughs of Glenolden, Norwood and Prospect Park and the township of Tinicum.

The School District, encompassing a land area of 11.26 square miles, is situated in the south-central portion of Delaware County (the "County"). The School District is bounded on the north by Ridley Township and Darby Township, on the east by the Boroughs of Collingdale and Folcroft, Darby Township and the City of Philadelphia, and on the west by Ridley Park Borough and Ridley Township. The Delaware River between Pennsylvania and New Jersey form the southern boundary. The School District enjoys a close proximity to the City of Philadelphia, with its location only a few miles from the City's southern limits.

The Boroughs of Glenolden, Norwood and Prospect Park (the "Boroughs"), comprising 0.97, 0.83 and 0.75 square miles respectively, are densely populated communities of suburban Philadelphia. Because there is very little land remaining to be developed within the Boroughs, their character is quite likely to remain the same. No industry and few commercial establishments can be found in the Boroughs.

Tinicum Township (the "Township") includes 8.71 square miles and fronts on the Delaware River. Although the Township is the largest community geographically in the School District, it has the smallest population of the four municipalities. The Township has evolved into the industrial municipality of the School District as a result of the Philadelphia International Airport being partially located in the Township.

## **Demographic Characteristics**

The following tables provide population trends, age, and housing indices for the School District, the County and the Commonwealth.

Source: The Pennsylvania State University Data Center

	<b><u>Population</u></b>		
	<u>2000</u>	<u>1990</u>	<u>1980</u>
Interboro School District	24,408	24,626	25,164
Delaware County	550,864	547,651	555,003
Commonwealth	12,281,054	11,881,643	11,863,895

  

	<b><u>Age Composition</u></b>	
	<b><u>(2000)</u></b>	
	<u>Under 18</u>	<u>65 or Over</u>
Interboro School District	24.75%	14.0%
Delaware County	24.8	15.6
Commonwealth	23.8	15.6



**Occupied Housing**  
**(2000)**

	<u>Total Housing Units</u>	<u>Occupied Housing Units</u>	<u>Percent</u>	<u>Owner-Occupied Housing Units</u>	<u>Percent</u>
Interboro SD	10,120	9,670	96.0	6,462	64.0
Delaware County	216,978	206,320	95.0	148,384	68.0
Commonwealth	4,938,140	4,495,966	91.0	3,176,121	64.3

**Delaware County**

Delaware County was created on September 26, 1789 from part of Chester County and named for the Delaware River. Media has been the county seat since 1851. The county itself is serviced by several newspapers including the New of Delaware County, the Delaware County Daily Times, The Suburban and Wayne Times. The Philadelphia Inquirer also is circulated in the area.

**Recreation and Tourism**

Ridley Creek State Park is a 2606 acre (10.55 km<sup>2</sup>) Pennsylvania State Park in Edgmont, Middletown and Upper Providence Townships, Delaware County, Pennsylvania in the United States. The park, just north of the county seat of Media, offers many recreational activities, such as hiking, biking, fishing, picnicking, and paddling Ridley Creek which passes through the park. Highlights include a 5-mile paved multi-use trail, a formal garden designed by the Olmsted Brothers, and Colonial Plantations, which recreates daily life on a pre-revolutionary farm. The park is adjacent to the John J. Tyler Arboretum. Ridley Creek State Park is just over 16 miles from downtown, Philadelphia between Pennsylvania Route 352 and Pennsylvania Route 252 on Gradyville Road.

**Transportation**

An interlocking system of highways serves the residents of the School District with State Route 420, State Route 13, Route 291, MacDade Boulevard and Interstate 95 running through the School District's area. Public Transportation facilities are provided by bus, Southeastern Pennsylvania Transportation Authority's (SEPTA) Red Arrow Division and SEPTA's Marcus Hook local train which provides frequent service to Philadelphia and Wilmington, Delaware. Portions of the Philadelphia International Airport are located within the School District.

**Medical Facilities**

Crozer-Keystone Health System's Taylor Division is located in Ridley Park, a five-minute drive from the School District. The facility has 115 beds and approximately 175 personnel.

**Utilities**

The School District is served by the following companies: TelCove (telephone), PECO Energy Company (electricity and gas) and Aqua Pennsylvania (water). Each borough and township has their own sewage collection systems.

**Educational Institutions**

In addition to public school facilities of the School District, there are two parochial schools located within the School District. Each borough and township also has their own public library.

There are 13 colleges and universities located within Delaware County including: Cabrini College, Cheyney University, Eastern University, Delaware County Community College, Haverford College, Neumann College, Pennsylvania Institute of Technology, Penn State Brandywine, Rosemont College, Swarthmore College, Villanova University, Widener University, Williamson Free School of Mechanical Trades.

## **THE ECONOMY**

### **Employment Trends in Delaware County Labor Market Area Employment and Unemployment**

The trend in total employment rates in Delaware County, compared with the same rates for Pennsylvania and the United States, since 1992, is shown as follows:

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Total Employment</u>	<u>Percentage Unemployed</u>		
			<u>County</u>	<u>Pennsylvania</u>	<u>U.S.</u>
1992 .....	282,000	263,400	6.6	7.5	7.4
1993 .....	276,600	260,000	6.0	7.0	6.8
1994 .....	274,500	260,300	5.2	6.2	6.1
1995 .....	266,800	253,800	5.6	5.9	5.6
1996 .....	275,900	262,700	4.8	5.3	5.4
1997 .....	270,000	200,100	4.8	5.2	4.9
1998 .....	276,400	265,600	3.9	4.6	4.5
1999 .....	279,800	271,700	2.9	3.6	3.7
2000 .....	281,400	273,500	2.8	3.8	3.7
2001 .....	282,400	272,300	3.6	4.5	5.4
2002 .....	283,200	270,800	4.4	5.5	5.7
2003 .....	283,000	271,200	4.2	4.7	5.4
2004 .....	285,300	270,700	5.1	5.7	5.4
2005 .....	282,200	269,500	4.5	4.7	4.9
2006 .....	284,900	272,300	4.4	4.6	4.5
2007 .....	284,500	273,600	3.8	4.3	4.8
2008 .....	286,800	270,600	5.7	6.4	7.1
2009 (July) ..	289,600	266,800	7.9	8.5	9.7

Source: Center for Workforce Information and Analysis, PA Dept. of Labor and Industry

### **Major Employers in the Area**

Major employers within or near the School District include:

<u>Company</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
University of Pennsylvania	Education, research, healthcare	22,605
Jefferson Health System	Healthcare	14,317
Crozier Keystone Health System	Healthcare	7,026
Children's Hospital of PA. (CHOP)	Children's Hospital	6,200
The Boeing Company	Aircraft and Commercial Parts	4,400
United Parcel Service	Integrated Pkg. Delivery Company	3,273
Mercy Health System	Health System	2,816
Pfizer	Pharmaceuticals	2,633
Mercy Fitzgerald Hospital	Acute-care, teaching hospital	2,200
Elywn, Inc.	Healthcare/Assisted Living	2,190

Source: School District Officials

## **TAX REVENUES OF THE SCHOOL DISTRICT**

### **Ten Largest Taxpayers in the School District**

The ten largest real estate taxpayers in the School District and the 2009 assessed valuation of their real estate are as follows:

<b><u>Taxpayer</u></b>	<b><u>Business</u></b>	<b><u>Assessed Valuation</u></b>
International Plaza	Office Complex	\$40,942,500
Penallen Corporation	UPS Operations	37,356,313
Columbia Properties	Hotel Complex	24,000,000
CALI Airport Realty Assoc LP	Office Complex, Ct.2	22,450,000
Philadelphia International Airport	Wide Body Hangar	20,913,300
Castleway Properties LLC	Industrial Complex	14,210,096
Glendale Heights Ownership	Housing Units	11,650,000
CALI Airport Realty Association	Office Complex, Ct. 1	11,200,000
Majestic Holdings LLC	Hotel Complex	10,904,920
Philadelphia International Airport	MLR Cargo	<u>10,027,400</u>
TOTAL		\$203,654,529

Total represents 17.77% of the total assessed valuation in the District.

Source: School District Officials

### **Market and Assessed Values of Real Property**

Market values of real property in the School District, as reported by the Pennsylvania State Tax Equalization Board ("STEB"), are listed below.

<u>Year</u>	<u>Market Value</u>	<u>Assessed Valuation</u>	<u>Ratio</u>
1996	\$800,258,200	\$31,548,851	3.95
1997	798,193,000	31,385,455	3.93
1998	801,865,600	31,648,408	3.95
1999	779,487,000	30,535,381	3.92
2000 (1)	824,576,900	1,186,512,740	143.89
2001	825,269,400	1,188,515,030	144.02
2002	960,715,700	1,202,872,020	125.21
2003	931,667,400	1,170,401,395	125.62
2004	1,030,886,700	1,167,177,761	113.22
2005	1,029,129,000	1,166,331,911	113.33
2006	1,172,597,400	1,171,523,426	99.91
2007	1,148,691,900	1,143,447,613	99.54
2008	1,367,077,100	1,196,503,888	87.52
2009 (2)	1,148,691,900	1,145,873,483	99.75

(1) There was a county-wide reassessment affective in 2000.

(2) 2009 figures provided by School District officials. STEB 2009 figures not yet available.

Source: Pennsylvania State Tax Equalization Board

### **Tax Collection Record**

School District real estate taxes are billed on July 1 of the levy year, with a discount of 2% available to the taxpayer if paid before September 1. The taxes are payable at the face value between September 1, and October 31, and a 10% penalty is added to any payment made after November 1 of the levy year.

<u>Year</u>	<u>Tax Levy</u>	<u>Current Collections</u>	<u>Percent of Tax Levy</u>	<u>Delinquent Collections</u>	<u>Current and Delinquent Collections</u>	<u>Percent of Levy</u>
1995-96	19,828,819	19,149,811	96.6	686,246	19,836,057	100.1
1996-97	21,473,565	20,795,135	96.8	656,610	21,451,745	99.9
1997-98	22,134,700	21,220,182	95.9	888,846	22,109,028	99.9
1998-99	23,551,558	21,509,895	91.3	2,495,612	24,005,507	101.9
1999-00	24,487,833	23,031,666	94.1	1,063,300	24,094,966	98.4
2000-01	26,602,992	25,182,791	94.7	1,098,533	26,281,324	99.0
2001-02	25,600,870	24,167,222	94.4	1,083,033	25,250,255	98.6
2002-03	30,570,421	28,893,369	94.7	1,296,080	30,189,449	98.8
2003-04	31,020,294	29,156,507	94.0	2,117,410	31,273,917	100.8
2004-05	31,904,988	30,216,321	94.7	1,240,483	31,456,804	98.6
2005-06	32,879,314	31,100,379	94.6	1,377,051	32,477,430	98.8
2006-07	32,867,402	31,078,481	94.6	1,439,093	32,517,574	98.9
2007-08	33,592,306	31,965,171	95.1	1,223,205	33,188,376	98.8
2008-09	33,884,053	30,425,106	89.8 (2)	1,256,944	31,682,050	93.5
2009-10 (1)	35,327,279	33,591,650	95.1	1,370,000	34,961,650	98.9

(1) Budgeted

(2) 2 parcels which were included in the levy were not collected due to litigation during the fiscal year pending change from exempt to taxable.

### **2009-10 Local Tax Rates**

Real Estate (mills)	
School District .....	30.83
Delaware County .....	4.82
Real Estate Transfer	
School District .....	0.5%
Borough and Township.....	0.5%
Parking Lot Tax .....	11.25% (1)

(1) 32% of gross receipts are eligible to be taxed at 11.25% percent

Source: School District Officials

## **SCHOOL FACILITIES AND ENROLLMENTS**

The School District presently operates five elementary schools and one senior high school, all as described on the following table. High School students may also attend the Delaware County Vocational Technical School.

<u>School Facility</u>	<u>Original Construction Date</u>	<u>Renovations or Additions</u>	<u>Grades Served</u>	<u>Student Capacity</u>	<u>2009-10 Enrollment</u>
<u>Elementary Schools:</u>					
Glenolden	1951	1969, 1981, 1997	1-8	987	625
Norwood	1956	1960, 1971, 1981, 1997	1-8	981	558
Prospect Park	1948	1973, 1981, 1992	1-8	725	571
Tinicum	1966	1981, 1988	1-8	594	319
Kindergarten Academy	1997	n/a	K	400	242
<u>Secondary School:</u>					
High School	1975	1992, 2002	9-12	1,529	1,343
<u>Administration Building</u>	1940	1958, 1997	—	—	—
<u>Total Enrollment:</u>					3,658

Source: School District Officials

### **Pupil Enrollment - Historical and Projected**

<u>School Year</u>	<u>Elementary (1)</u>	<u>Secondary (2)</u>	<u>Total</u>
1995-96	2,669	1,099	3,696
1996-97	2,729	1,143	3,872
1997-98	2,734	1,165	3,899
1998-99	2,663	1,194	3,857
1999-00	2,688	1,238	3,926
2000-01	2,664	1,299	3,963
2001-02	2,629	1,373	4,002
2002-03	2,606	1,380	3,986
2003-04	2,592	1,409	4,001
2004-05	2,563	1,372	3,935
2005-06	2,226	1,382	3,608
2006-07	2,435	1,464	3,899
2007-08	2,572	1,350	3,922
2008-09	2,315	1,331	3,646
2009-10	2,315	1,343	3,658
2010-11 (3)	2,318	1,270	3,588
2011-12 (3)	2,326	1,234	3,560

- (1) Enrollment totals are for grades K-8.  
 (2) Enrollment totals are for grades 9-12.  
 (3) Projected.

Source: School District Officials

**DEBT SUMMARY AND RELATED INFORMATION**

General Obligation:	<b><u>Condition of School Financing*</u></b>				<u>State Share</u>	<u>Local Share</u>
	<u>Issue Date:</u>	<u>Long-Term Debt Outstanding</u>	<u>Project Reimbursement Percentage</u>	<u>Estimated Reimbursement (1)</u>		
Bonds, Series A	2010	\$2,575,000	36.92%	21.75%	\$560,051	\$2,014,949
Bonds, Series B	2010	9,805,000	44.97%	26.49%	2,597,524	7,207,476
Bonds, Series B	2008	4,880,000	46.81%	27.58%	1,345,698	3,534,302
Bonds, Series A	2008	5,625,000	0.00%	0.00%	0	5,625,000
Bonds	2005	5,765,000	46.57%	27.43%	1,581,592	4,183,408
Bonds, Series A	2005	3,315,000	0.00%	0.00%	0	3,315,000
Bonds, Series AA	2005	3,205,000	0.00%	0.00%	0	3,205,000
Lease Rental (2)	2004	<u>148,356</u>	0.00%	0.00%	<u>0</u>	<u>148,356</u>
Totals:		\$35,318,356			\$6,084,865	\$29,233,491

(1) Project Reimbursement multiplied by the District's Market Value Aid Ratio of 58.91%.

(2) The School District's share (9.51%) of the Delaware County Vocational Technical School Debt.

**Financial Factors and Ratios**

STEB Market Valuation of Real Estate	2008	\$1,367,077,100
STEB Assessed Valuation of Real Estate	2008	\$1,196,503,888
Ratio of Assessed to Market Value		87.52%

Population: 2000 U.S. Census	24,408
Market Valuation of Real Estate Per Capita	\$56,009
Assessed Valuation of Real Estate Per Capita	\$49,021

**Bonded Indebtedness\***

Obligations of the Residents of the School District	
School District General Obligation	\$35,318,356
Delaware County (1)	<u>14,122,352</u>
Total Obligations	\$49,440,708

Ratio of Total Obligations to:	
Market Valuation of Real Estate	3.62%
Assessed Valuation of Real Estate	4.13%
Population	\$2,026

Obligations of the Residents after State Reimbursement	
School District General Obligation	\$29,233,491
Delaware County (1)	<u>14,122,352</u>
Total Obligations	\$43,355,843

Ratio of Total Obligations after State Reimbursement to:	
Market Valuation of Real Estate	3.17%
Assessed Valuation of Real Estate	3.62%
Population	\$1,776

(1) Based upon School District percentage (4.14%) of total assessed valuation for Delaware County.

\* Includes the Bonds but excludes the Refunded Debt.

## **APPENDIX C**

### **Bond Amortization Schedules**

**INTERBORO SCHOOL DISTRICT**  
**Bond Amortization Schedule**  
**General Obligation Bonds, Series A of 2010**  
**Semiannual Debt Service**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>COUPON</u>	<u>INTEREST</u>	<u>SEMI-ANNUAL DEBT SERVICE</u>	<u>ANNUAL DEBT SERVICE</u>
7/15/2010	\$820,000	2.000%	\$24,966.67	\$844,966.67	
1/15/2011			13,200.00	13,200.00	\$858,166.67
7/15/2011	870,000	1.000%	13,200.00	883,200.00	
1/15/2012			8,850.00	8,850.00	892,050.00
7/15/2012	<u>885,000</u>	2.000%	<u>8,850.00</u>	<u>893,850.00</u>	
1/15/2013					<u>893,850.00</u>
	\$2,575,000		\$69,066.67	\$2,644,066.67	\$2,644,066.67



**INTERBORO SCHOOL DISTRICT**  
**Bond Amortization Schedule**  
**General Obligation Bonds, Series B of 2010**  
**Semiannual Debt Service**

<u>DATE</u>	<u>PRINCIPAL</u>	<u>COUPON</u>	<u>INTEREST</u>	<u>SEMI-ANNUAL DEBT SERVICE</u>	<u>ANNUAL DEBT SERVICE</u>
8/15/2010			\$214,486.67	\$214,486.67	
2/15/2011			160,865.00	160,865.00	\$375,351.67
8/15/2011	\$85,000	2.000%	160,865.00	245,865.00	
2/15/2012			160,015.00	160,015.00	405,880.00
8/15/2012	140,000	2.000%	160,015.00	300,015.00	
2/15/2013			158,615.00	158,615.00	458,630.00
8/15/2013	140,000	2.000%	158,615.00	298,615.00	
2/15/2014			157,215.00	157,215.00	455,830.00
8/15/2014	145,000	3.000%	157,215.00	302,215.00	
2/15/2015			155,040.00	155,040.00	457,255.00
8/15/2015	150,000	2.300%	155,040.00	305,040.00	
2/15/2016			153,315.00	153,315.00	458,355.00
8/15/2016	400,000	2.650%	153,315.00	553,315.00	
2/15/2017			148,015.00	148,015.00	701,330.00
8/15/2017	1,345,000	2.750%	148,015.00	1,493,015.00	
2/15/2018			129,521.25	129,521.25	1,622,536.25
8/15/2018	1,385,000	3.150%	129,521.25	1,514,521.25	
2/15/2019			107,707.50	107,707.50	1,622,228.75
8/15/2019	1,435,000	3.300%	107,707.50	1,542,707.50	
2/15/2020			84,030.00	84,030.00	1,626,737.50
8/15/2020	148,000	3.500%	84,030.00	1,564,030.00	
2/15/2021			58,130.00	58,130.00	1,622,160.00
8/15/2021	1,540,000	3.700%	58,130.00	1,598,130.00	
2/15/2022			29,640.00	29,640.00	1,627,770.00
8/15/2022	<u>1,560,000</u>	3.800%	<u>29,640.00</u>	<u>1,589,640.00</u>	
2/15/2023					<u>1,589,640.00</u>
	\$8,473,000		\$3,218,704.17	\$13,023,704.17	\$13,023,704.17

**APPENDIX D**

**School District's 2008 Audited Financial Report**

**INTERBORO SCHOOL DISTRICT**

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**FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

For the Year Ended June 30, 2008

# INTERBORO SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	3
BASIC FINANCIAL STATEMENTS	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	11
Statement of Activities	12
<b>Fund Financial Statements</b>	
<i>Governmental Funds</i>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
<i>Proprietary Funds</i>	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows	19

# INTERBORO SCHOOL DISTRICT

## TABLE OF CONTENTS, continued

	<u>Page</u>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Assets	20
Statement of Changes in Fiduciary Net Assets	21
<b>Notes to Basic Financial Statements</b>	22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule	38
Notes to the Required Supplementary Information – Budgetary Comparison	39
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	40
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	41
Schedule of Expenditures of Federal and State Awards	42
Notes to Schedule of Expenditures of Federal and State Awards	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	44
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	46
Schedule of Findings and Questioned Costs	48



**MAJOR & MASTRO, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors  
INTERBORO SCHOOL DISTRICT  
Prospect Park, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of INTERBORO SCHOOL DISTRICT, as of and for the year ended June 30, 2008, which collectively comprise INTERBORO SCHOOL DISTRICT's basic financial statements as listed in the table of contents. These financial statements are the responsibility of INTERBORO SCHOOL 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 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, the business-type activities, each major fund and the aggregate remaining fund information of the INTERBORO SCHOOL DISTRICT as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of INTERBORO SCHOOL DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 10 and pages 38 and 39, respectively, 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 INTERBORO SCHOOL DISTRICT's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of INTERBORO SCHOOL DISTRICT. The schedule of expenditures of federal awards 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.

November 12, 2008

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

*Major & Mastro LLC*

# INTERBORO SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2008

### INTRODUCTION

Our discussion and analysis of Interboro School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008.

### FINANCIAL HIGHLIGHTS

- The assets of the Interboro School District exceeded its liabilities at the close of the 2008 fiscal year by \$6,585,088. Total current assets exceed current liabilities by \$13,295,032. This compares with net assets of \$4,807,401 and current assets exceeding current liabilities by \$12,528,900 at the close of the 2007 fiscal year.
- As of the close of the current fiscal year, total fund balance for the General Fund was \$11,536,936, of which \$60 is restricted for high school art program enhancement, and \$8,633,570 is designated for capital expenditures and to offset future tax increases in 2008/2009. The remaining unreserved and undesignated fund balance is \$2,903,306. Total fund balance for the General Fund at the end of the 2007 fiscal year was \$9,628,127.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Interboro School District's basic financial statements. The Interboro School District's basic financial statements comprise three components: 1) government-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.

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

The statement of net assets presents information on all of the Interboro School District's assets and liabilities, with the difference between the two reported as net assets.

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 of 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).

Both of the government-wide financial statements distinguish functions of the Interboro School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs



## INTERBORO SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

through user fees and charges (business-type activities). The governmental activities of the Interboro School District include general operations of public education.

**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 Interboro School District, 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 Interboro School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows 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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-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 Interboro School District maintains six 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 and the 2005A Capital Projects Fund, both of which are considered to be major funds. Data for the other four funds are presented as non-major funds.

The Interboro School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Interboro School District maintains one proprietary fund which is Food Service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Food Service function.

# INTERBORO SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Interboro School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Interboro School District had net assets of \$6,585,088 at the close of the fiscal year ended June 30, 2008, and net assets of \$4,807,401 at the close of the fiscal year ended June 30, 2007.

The following table reflects the current and prior year's information:

### INTERBORO SCHOOL DISTRICT'S Net Assets

	Governmental Activities		Business-type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 21,594,143	\$ 21,001,961	\$ 244,021	\$ 124,125	\$ 21,838,164	\$ 21,126,086
Capital assets	29,445,103	29,403,031	42,519	52,112	29,487,622	29,455,143
Total assets	<u>\$ 51,039,246</u>	<u>\$ 50,404,992</u>	<u>\$ 286,540</u>	<u>\$ 176,237</u>	<u>\$ 51,325,786</u>	<u>\$ 50,581,229</u>
Long-term liabilities						
outstanding	\$ 37,202,788	\$ 38,015,383	\$	\$	\$ 37,202,788	\$ 38,015,383
Other liabilities	7,404,615	7,722,365	133,295	36,080	7,537,910	7,758,445
Total liabilities	<u>\$ 44,607,403</u>	<u>\$ 45,737,748</u>	<u>\$ 133,295</u>	<u>\$ 36,080</u>	<u>\$ 44,740,698</u>	<u>\$ 45,773,828</u>
Net Assets:						
Invested in capital assets,						
net of related debt	\$ (5,407,465)	\$ (4,478,705)	\$ 42,519	\$ 52,112	\$ (5,364,946)	\$ (4,426,593)
Restricted for capital projects	752,749	116,154			752,749	116,154
Restricted for high school art						
program enhancement	60	314			60	314
Restricted for athletic purposes	19,741	(7,288)			19,741	(7,288)
Unrestricted	11,066,758	9,036,769	110,726	88,045	11,177,484	9,124,814
Total net assets (deficit)	<u>\$ 6,431,843</u>	<u>\$ 4,667,244</u>	<u>\$ 153,245</u>	<u>\$ 140,157</u>	<u>\$ 6,585,088</u>	<u>\$ 4,807,401</u>

# INTERBORO SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**Governmental activities.** Governmental activities increased the Interboro School District's net assets by \$1,764,599 and \$2,789,141 for the years ending June 30, 2008 and 2007, respectively. Key elements of this increase are displayed below.

**Business-type Activities.** Business Type activities, comprised of the District's Food Service Fund, increased the District's net assets by \$13,088 for the year ending June 30, 2008 and decreased the District's net assets by \$8,451 for the year ended June 30, 2007. Key elements of this increase and decrease are displayed below.

### INTERBORO SCHOOL DISTRICT'S Changes in Net Assets

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 88,590	\$ 269,479	\$ 715,216	\$ 714,107	\$ 803,806	\$ 983,586
Operating Grants	7,433,075	6,930,661	350,370	326,653	7,783,445	7,257,314
General Revenues:						
Property Taxes	33,225,977	32,469,064			33,225,977	32,469,064
Other Taxes	1,216,813	1,410,983			1,216,813	1,410,983
Grants, not restricted to specific programs	7,145,899	7,005,716			7,145,899	7,005,716
Investment Income	1,083,711	1,361,556	28	35	1,083,739	1,361,591
Miscellaneous Income	783,249	95,001			783,249	95,001
Total Revenues	<u>50,977,314</u>	<u>49,542,460</u>	<u>1,065,614</u>	<u>1,040,795</u>	<u>52,042,928</u>	<u>50,583,255</u>
<b>Expenses:</b>						
Instruction	30,300,202	29,390,899			30,300,202	29,390,899
Instructional Support Services	3,421,217	3,606,851			3,421,217	3,606,851
Administrative Support Services	6,401,136	6,141,450			6,401,136	6,141,450
Operation & maintenance of Plant Services	4,839,658	3,871,819			4,839,658	3,871,819
Pupil Transportation	1,449,127	1,319,501			1,449,127	1,319,501
Student activities	725,055	629,824			725,055	629,824
Community Services	108,738	102,341			108,738	102,341
Interest on Long-term Debt	1,967,582	1,690,634			1,967,582	1,690,634
Food Service			1,052,526	1,049,246	1,052,526	1,049,246
Total Expenses	<u>49,212,715</u>	<u>46,753,319</u>	<u>1,052,526</u>	<u>1,049,246</u>	<u>50,265,241</u>	<u>47,802,565</u>
Change in Net Assets	1,764,599	2,789,141	13,088	(8,451)	1,777,687	2,780,690
Beginning Net Assets	<u>4,667,244</u>	<u>1,878,103</u>	<u>140,157</u>	<u>148,608</u>	<u>4,807,401</u>	<u>2,026,711</u>
Ending Net Assets	<u>\$ 6,431,843</u>	<u>\$ 4,667,244</u>	<u>\$ 153,245</u>	<u>\$ 140,157</u>	<u>\$ 6,585,088</u>	<u>\$ 4,807,401</u>

## INTERBORO SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

#### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

**Governmental funds.** The focus of the Interboro School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Interboro School District'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.

The general fund is the chief operating fund of the Interboro School District. For the years ended June 30, 2008 and 2007, the fund balance of the Interboro School District's General Fund was \$11,536,936 and \$9,628,127 respectively.

General Fund revenues of the Interboro School District came from four basic sources. The largest source was provided by local funding totaling \$36,647,174 (72.4%), and \$36,149,126 (73.1%) for the years ended June 30, 2008 and 2007 respectively, of which \$33,583,148 and \$32,607,626 were tax revenues. State funding amounted to \$13,239,803 (26.2%) and \$12,709,666 (25.7%); federal funding amounted to \$692,461 (1.4%) and \$579,636 (1.2%) for the years ended June 30, 2008 and 2007 respectively.

State and Federal funding continue to provide a relatively small percentage (27.6%) of total District revenue. This compels the Interboro School District to rely primarily on the local tax levying powers provided by the Pennsylvania Public School Code and the Local Tax Enabling Act (Act 511 of 1965) to fund the revenue shortfall in order to operate the School District.

General Fund expenditures of the District fall into four major categories and are summarized below for the years ended June 30, 2008 and 2007:

	Expenditures		Expenditures	
	2008	%	2007	%
Instruction	\$ 30,527,032	62.3%	\$ 28,610,564	61.2%
Support Service	14,875,814	30.4%	14,792,806	31.6%
Non-instructional	718,032	1.5%	667,105	1.4%
Capital Outlay	171,931	0.4%	-	0.0%
Debt Service	2,694,825	5.4%	2,695,174	5.8%
TOTAL	<u>\$ 48,987,634</u>	<u>100.0%</u>	<u>\$ 46,765,649</u>	<u>100.0%</u>

**Capital Projects Funds.** The Capital Projects Funds have total fund balances of \$1,982,461 and \$2,688,893 for the years ended June 30, 2008 and 2007.

## INTERBORO SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**Capital Reserve Fund.** The Capital Reserve Fund has a total fund balance of \$380,736 and \$116,154 for the years ended June 30, 2008 and 2007.

**Proprietary fund.** The Interboro School District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Proprietary Fund has net assets of \$153,245 and \$140,157 for the years ended June 30, 2008 and 2007 respectively.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Interboro School District's expenditures and other financing uses for the fiscal year ended June 30, 2008 of \$49,314,367 was lower than the adopted budget of \$51,668,140 by a total \$2,353,773. The most significant variances were: special education tuition out placement costs budgeted but not needed (\$130,120), new textbooks not purchased or delayed until future year (\$71,527), financial/student software purchase delayed until 2008/2009 (\$100,000), desktop and infrastructure upgrades (\$73,618), bids rejected for the first phase of the high school air handling unit replacement project, re-bid in 2008/2009 (\$1,549,705), and unallocated reserves for unexpected needs (\$77,711).

The District's revenues for the fiscal year ended June 30, 2008 exceeded the adopted budget by \$1,275,099. Significant drivers for the excess of the district's revenue are: increases in delinquent real estate tax revenue collected (\$248,338), collection of delinquent parking lot taxes (\$116,126), increase in interest earnings (\$287,264), a reduction of social security and retirement revenue due an under spending of salary (\$140,062) and a recognition of revenue resulting from a reclassification of liabilities (\$642,957).

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The Interboro School District's investment in capital assets for its governmental activities, net of accumulated depreciation, amounts to \$29,445,103 and \$29,403,031 as of June 30, 2008 and 2007 respectively. The investment in capital assets includes land, buildings, improvements, and machinery and equipment.

#### INTERBORO SCHOOL DISTRICT'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and improvements	\$ 3,086,299	\$ 3,086,299	\$	\$	\$ 3,086,299	\$ 3,086,299
Buildings and improvements	47,746,833	46,406,699			47,746,833	46,406,699
Machinery and equipment	15,837,344	15,679,428	384,815	382,867	16,222,159	16,062,295
Accumulated depreciation	(37,225,373)	(35,769,395)	(342,296)	(330,755)	(37,567,669)	(36,100,150)
	<u>\$ 29,445,103</u>	<u>\$ 29,403,031</u>	<u>\$ 42,519</u>	<u>\$ 52,112</u>	<u>\$ 29,487,622</u>	<u>\$ 29,455,143</u>

## INTERBORO SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

More detailed information about the Interboro School District's capital assets can be found in footnotes to the financial statements section of this report.

**Long-term debt.** At the end of the current fiscal year, the Interboro School District had total bonded debt outstanding of \$36,610,000. The Interboro School District maintains an AAA rating from Standard and Poor for general obligation debt.

Additional information on the Interboro School District's long-term debt can be found in the footnotes to the financial statements section of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Pension contribution rates are decreasing from 7.13% in 2007-2008 to 4.76% in 2008-2009. Currently, the rates are projected to decrease over the next two to three years with a large increase in fiscal year 2012-2013. In addition, there have been discussions concerning the establishment of fixed annual rate to address high and low extremes resulting from the current methods of funding contained in the law. During the 2008/2009 budget process this rate was proposed to be 7.13%.

There are several labor agreements that will begin negotiations in fiscal year 2008/2009. These include the district's teachers, the Interboro Education Association, and the maintenance/custodial employees, National Conference of Firemen and Oilers Local 1201. Healthcare costs increased 16% in 2008/2009 and are expected to increase again in 2009/2010. The cost of the district's health care benefit plan is sure to be one of the primary issues of these upcoming negotiations. The volatility of the oil market will continue to strain the district's ability to contain its utility costs for its educational facilities and fuel costs for its bus fleet.

Once again, this year the District's financial situation continues to improve. Over the past six years the total fund balance in the General Fund has increased from \$187,000 as of June 30, 2002 to \$11.5 million as of June 30, 2008. The fund balance provides the District with: an increase in annual interest income, better flexibility to meet unexpected costs, the ability to manage future tax increases and provides opportunities to define, plan and meet future objectives, particularly with regard to capital improvements. Over the past six or seven years and continuing into the next fiscal year, the District has and will continue to spend, with very little borrowing planned, on capital improvements to our schools and facilities district wide. Slated for next fiscal year and beyond are these projects which are currently 100% funded: migration to new financial and student software so that we can better manage our information and gain efficiencies in our processes, upgrades to our high school electrical system, finalize the replacement of air handling units in our High School, continuation of safety and security upgrades district wide, replacement of the entire bus fleet, additional funds to expand student and teacher exposure district wide to technology partially funded by the Classrooms for Future grant, set asides for air condition feasibility of our community schools and other miscellaneous projects. In order to prevent a tax increase or the need for additional debt associated with these projects, approximately \$8.6 million of the District's fund balance is designated to cover the costs.

## **INTERBORO SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

In July 2006, Act 1 - The Tax Payer Relief Act, was passed by the Pennsylvania State Legislature. This Act repealed Act 72 and makes the same provisions of Act 72, with some changes, mandatory for all School Districts in the State. Act 1 prevents tax increases, unless approved by the community, above an index calculated by the State. However, certain allowances to this provision may be granted by the State. In addition it provides for tax relief to the community which is to be funded by gambling revenues.

Under Act 1, budget timelines are accelerated in order to provide the opportunity for the State approval process and/or the need for community referendum should an increase above index be required. Interboro School District's index, the maximum increase without State or community approval, was 4.50% for 2007/2008 and is 5.8% for 2008/2009. However, the 2008/2009 fiscal year will be the sixth year in a row that tax increases have been held to no more than 2.5%. This cap on tax increases was self imposed by the Interboro Board of Education and implemented by the district administration long before the provisions under Act 72 or Act 1 were passed.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Interboro School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Interboro School District, Director of Finance, 900 Washington Avenue, Prospect Park, PA 19076.

**INTERBORO SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 4,504,160	\$ 160,402	\$ 4,664,562
Investments	13,706,102		13,706,102
Taxes receivable	1,841,333		1,841,333
Due from other governments	435,997	83,619	519,616
Prepaid assets	72,031		72,031
Other receivables	29,298	-	29,298
Total Current Assets	<u>20,588,921</u>	<u>244,021</u>	<u>20,832,942</u>
Noncurrent assets:			
Capital assets:			
Land	1,674,131		1,674,131
Land improvements	1,412,168		1,412,168
Buildings and building improvements	47,746,833		47,746,833
Property and equipment	15,837,344	384,815	16,222,159
Accumulated depreciation	(37,225,373)	(342,296)	(37,567,669)
Other receivables	456,980		456,980
Other assets	548,242		548,242
Total Noncurrent Assets	<u>30,450,325</u>	<u>42,519</u>	<u>30,492,844</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 51,039,246</b></u>	<u><b>\$ 286,540</b></u>	<u><b>\$ 51,325,786</b></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 1,427,033	\$ 133,295	\$ 1,560,328
Accrued salaries and benefits	3,655,341		3,655,341
Other current liabilities	111,782		111,782
Accrued interest	519,687		519,687
Deferred revenue	4,255		4,255
Portion due or payable within one year			
Bonds payable	1,295,000		1,295,000
Accumulated compensated absences/early retirement incentive	391,517		391,517
Total Current Liabilities	<u>7,404,615</u>	<u>133,295</u>	<u>7,537,910</u>
Long-term Liabilities:			
Portion due or payable after one year			
Bonds payable in future years	35,172,156		35,172,156
Accumulated compensated absences/early retirement incentive	2,030,632		2,030,632
Total Long-term Liabilities	<u>37,202,788</u>		<u>37,202,788</u>
<b>TOTAL LIABILITIES</b>	<u><b>44,607,403</b></u>	<u><b>133,295</b></u>	<u><b>44,740,698</b></u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(5,407,465)	42,519	(5,364,946)
Restricted for			
Capital projects	752,749		752,749
High school art program enhancement	60		60
Athletic purposes	19,741		19,741
Unrestricted	11,066,758	110,726	11,177,484
<b>TOTAL NET ASSETS</b>	<u><b>6,431,843</b></u>	<u><b>153,245</b></u>	<u><b>6,585,088</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 51,039,246</b></u>	<u><b>\$ 286,540</b></u>	<u><b>\$ 51,325,786</b></u>

See accompanying notes to the basic financial statements



# INTERBORO SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 30,300,202	\$ 74,857	\$ 5,639,256	\$ (24,586,089)	\$	\$ (24,586,089)
Instructional Student Support	3,421,217		368,435	(3,052,782)		(3,052,782)
Administrative Support Services	6,401,136		253,055	(6,148,081)		(6,148,081)
Operation and Maintenance of Plant Services	4,839,658		114,461	(4,725,197)		(4,725,197)
Pupil Transportation	1,449,127		479,546	(969,581)		(969,581)
Student Activities	725,055	13,733	32,109	(679,213)		(679,213)
Community Services	108,738		7,550	(101,188)		(101,188)
Interest on long-term debt	1,967,582		538,663	(1,428,919)		(1,428,919)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>49,212,715</b>	<b>88,590</b>	<b>7,433,075</b>	<b>(41,691,050)</b>		<b>(41,691,050)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food service	1,052,526	715,216	350,370		13,060	13,060
	<u>\$ 50,265,241</u>	<u>\$ 803,806</u>	<u>\$ 7,783,445</u>			<u>(41,677,990)</u>
<b>GENERAL REVENUES</b>						
Property taxes, levied for general purposes				33,225,977		33,225,977
Taxes levied for specific purposes				1,216,813		1,216,813
Grants and entitlements not restricted to specific programs				7,145,899		7,145,899
Investment earnings				1,083,711	28	1,083,739
Miscellaneous				783,249		783,249
<b>TOTAL GENERAL REVENUES</b>				<b>43,455,649</b>	<b>28</b>	<b>43,455,677</b>
<b>CHANGE IN NET ASSETS</b>				<b>1,764,599</b>	<b>13,088</b>	<b>1,777,687</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>				<b>4,667,244</b>	<b>140,157</b>	<b>4,807,401</b>
<b>NET ASSETS AT END OF YEAR</b>				<u><b>\$ 6,431,843</b></u>	<u><b>\$ 153,245</b></u>	<u><b>\$ 6,585,088</b></u>

See accompanying notes to the basic financial statements

# INTERBORO SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2008

	2005 A			Totals
	General Fund	Capital Project Fund	Nonmajor Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,607,324	\$ 117,066	\$ 779,770	\$ 4,504,160
Investments	12,215,150	1,490,952		13,706,102
Taxes receivable	1,841,333			1,841,333
Due from other governments	435,997			435,997
Interfund receivables	-		372,013	372,013
Prepaid expenditures	72,031			72,031
Other receivables	29,298			29,298
<b>TOTAL ASSETS</b>	<u>\$ 18,201,133</u>	<u>\$ 1,608,018</u>	<u>\$ 1,151,783</u>	<u>\$ 20,960,934</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund payables	\$ -	\$ -	\$ 372,013	\$ 372,013
Accounts payable	1,422,182	4,140	710	1,427,032
Accrued salaries and benefits	3,655,341			3,655,341
Deferred revenue	1,474,892			1,474,892
Other current liabilities	111,782			111,782
<b>TOTAL LIABILITIES</b>	<u>6,664,197</u>	<u>4,140</u>	<u>372,723</u>	<u>7,041,060</u>
<b>FUND BALANCES</b>				
Reserved for:				
Athletic Purposes			19,741	19,741
Capital Projects		1,603,878	759,319	2,363,197
High school art program enhancement	60			60
Unreserved:				
Designated for capital expenditures and offset future tax increases	8,633,570			8,633,570
Reported in General Fund	2,903,306			2,903,306
<b>TOTAL FUND BALANCES</b>	<u>11,536,936</u>	<u>1,603,878</u>	<u>779,060</u>	<u>13,919,874</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 18,201,133</u>	<u>\$ 1,608,018</u>	<u>\$ 1,151,783</u>	<u>\$ 20,960,934</u>

See accompanying notes to the basic financial statements

# INTERBORO SCHOOL DISTRICT

## RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

TOTAL GOVERNMENTAL FUND BALANCES	\$ 13,919,874
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,445,103
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Some of the District's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	1,470,637
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Long-term receivables are not recorded in the funds.	456,980
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Bond issuance costs are recorded as expenditures in the Governmental Funds. The Statement of Net Assets includes these amounts as other assets.	548,242
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(519,687)
Bonds payable, net of discounts	(36,467,157)
Accumulated compensated absences/early retirement incentive	<u>(2,422,149)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,431,843</u>
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# INTERBORO SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	2005 A			
	General Fund	Capital Project Fund	Nonmajor Funds	Totals
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Local sources	\$ 36,647,174	\$ 83,830	\$ 27,480	\$ 36,758,484
State sources	13,239,803			13,239,803
Federal sources	692,461			692,461
<b>TOTAL REVENUES</b>	<b>50,579,438</b>	<b>83,830</b>	<b>27,480</b>	<b>50,690,748</b>
Other Financing Sources:				
Interfund transfer				
Proceeds from refunding bonds			326,733	326,733
Refund of Prior Year Expenditures	643,738		11,015,000	11,015,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>643,738</b>		<b>11,341,733</b>	<b>643,738</b>
				<b>11,985,471</b>
<b>TOTAL REVENUE AND OTHER FINANCING SOURCES</b>	<b>51,223,176</b>	<b>83,830</b>	<b>11,369,213</b>	<b>62,676,219</b>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Instruction	30,527,032			30,527,032
Support services	14,875,814		147,583	15,023,397
Operation of non-instructional services	718,032		35,921	753,953
Capital outlay	171,931	1,168,845	20,186	1,360,962
Debt service				
Interest	1,432,065			1,432,065
Principal	1,262,760			1,262,760
<b>TOTAL EXPENDITURES</b>	<b>48,987,634</b>	<b>1,168,845</b>	<b>203,690</b>	<b>50,360,169</b>
Other Financing Uses:				
Interfund transfers	326,733			326,733
Payments to refund bonds			10,495,348	10,495,348
<b>TOTAL OTHER FINANCING USES</b>	<b>326,733</b>		<b>10,495,348</b>	<b>10,822,081</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>49,314,367</b>	<b>1,168,845</b>	<b>10,699,038</b>	<b>61,182,250</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	1,908,809	(1,085,015)	670,175	1,493,969
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>9,628,127</b>	<b>2,688,893</b>	<b>108,885</b>	<b>12,425,905</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 11,536,936</b>	<b>\$ 1,603,878</b>	<b>\$ 779,060</b>	<b>\$ 13,919,874</b>

# INTERBORO SCHOOL DISTRICT

## RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,493,969

Capital outlays are reported in Governmental Funds as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense and capital outlays:

Capital outlay	1,498,050
Depreciation expense	(1,455,978)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in Governmental Funds.	(357,171)
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Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	11,680,348
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Bond proceeds are other financing sources in the Governmental Funds, but the proceeds increase long-term liabilities in the statement of net assets.	(11,015,000)
--	--------------

Bond discounts and issuance costs are amortized over the lives of the bonds in the Statement of Activities, but are recorded as expenditures and other financing uses in the Governmental Funds.	(269,397)
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Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	230,556
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Interest is reported as an expenditure when due in the Governmental Funds, but is accrued on outstanding debt in the statement of activities.	<u>(40,778)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,764,599</u></u>
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# INTERBORO SCHOOL DISTRICT

## STATEMENT OF NET ASSETS PROPRIETARY FUND

JUNE 30, 2008

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 160,402
Due from other governments	<u>83,619</u>
TOTAL CURRENT ASSETS	<u>244,021</u>
PROPERTY AND EQUIPMENT	384,815
Accumulated Depreciation	<u>(342,296)</u>
PROPERTY AND EQUIPMENT, NET	<u>42,519</u>
TOTAL ASSETS	<u><u>\$ 286,540</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	<u>\$ 133,295</u>
TOTAL CURRENT LIABILITIES	<u>133,295</u>
NET ASSETS	
Invested in capital assets	42,519
Unrestricted	<u>110,726</u>
TOTAL NET ASSETS	<u>153,245</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 286,540</u></u>

See accompanying notes to the basic financial statements

# INTERBORO SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Enterprise Fund</u> <u>Food</u> <u>Service Fund</u>
OPERATING REVENUES	<u>\$ 715,216</u>
OPERATING EXPENSES	
Purchased professional and technical services	959,063
Purchased property services	40,899
Supplies	41,023
Depreciation	<u>11,541</u>
TOTAL OPERATING EXPENSES	<u>1,052,526</u>
OPERATING LOSS	<u>(337,310)</u>
NONOPERATING REVENUES	
Earnings on investments	28
State sources	30,357
Federal sources	<u>320,013</u>
TOTAL NONOPERATING REVENUES	<u>350,398</u>
CHANGE IN NET ASSETS	13,088
NET ASSETS AT BEGINNING OF YEAR	<u>140,157</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 153,245</u></u>

See accompanying notes to the basic financial statements

# INTERBORO SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND (FOOD SERVICE FUND)

FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Fund <u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 715,216
Payments to suppliers	<u>(916,580)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(201,364)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	23,032
Federal sources	<u>251,746</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>274,778</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	<u>(1,948)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>28</u>
NET INCREASE IN CASH	71,494
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>88,908</u>
CASH AT END OF YEAR	<u><u>\$ 160,402</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (337,310)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	11,541
(Increase) decrease in assets:	
Due from other funds	25,909
Other receivables	1,281
Increase (decrease) in liabilities:	
Accounts payable	<u>97,215</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (201,364)</u></u>

See accompanying notes to the basic financial statements



# INTERBORO SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

JUNE 30, 2008

	Scholarship Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 42,465	\$ 73,831
TOTAL ASSETS	<u>\$ 42,465</u>	<u>\$ 73,831</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 30,900	\$ 1,425
Due to student organizations		72,406
TOTAL LIABILITIES	<u>30,900</u>	<u>73,831</u>
NET ASSETS		
Reserved for scholarships	<u>11,565</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 42,465</u>	<u>\$ 73,831</u>

See accompanying notes to the basic financial statements

**INTERBORO SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Scholarship Trust Fund</u>
ADDITIONS	
Local contributions	<u>\$        32,463</u>
DEDUCTIONS	
Fees paid and scholarships awarded	<u>29,872</u>
TOTAL DEDUCTIONS	<u>29,872</u>
CHANGE IN NET ASSETS	2,591
NET ASSETS AT BEGINNING OF YEAR	<u>8,974</u>
NET ASSETS AT END OF YEAR	<u><u>\$        11,565</u></u>

See accompanying notes to the basic financial statements

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Interboro School District (the District) operates one kindergarten academy, four community schools and one senior high school to provide education and related services to the residents of the boroughs of Glenolden, Norwood and Prospect Park and the Township of Tinicum. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the second class. The District operates under a locally elected nine-member Board form of government.

The financial statements of the District are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to generally accepted accounting principles as applicable to governmental units.

The most significant of the District's accounting policies are described below:

Financial Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and, as such, be includable within the District's financial statements. In accordance with Statement of Governmental Accounting Standards Board (GASB) No. 14, as amended by GASB No. 39, the District is financially accountable if it appoints a voting majority of the organization governing board (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burden on the District. Additionally, the primary government is required to consider 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. Based on these criteria, there have been no component units defined within our reporting entity.

Joint Ventures

The District participates in a joint venture with the other school districts of Delaware County, Pennsylvania in the operation of a Vocational-Technical School Authority (DCVTSA). The DCVTSA is governed by seven members. Each member must be a citizen of a school district where the DCVTSA leases a project. The DCVTSA oversees acquiring, holding, constructing, improving and maintaining the public area vocational-technical school buildings. The financial statements of the Vocational-Technical School Authority are available from the DCVTSA located at 200 Yale Avenue, Morton, Pennsylvania 19070.

The District also participates in a joint venture with other school districts of Delaware County, Pennsylvania to support the Delaware County Community College.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Basis of Presentation and Accounting

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Fund Financial Statements, continued**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the district considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds are reported using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Governmental Funds**

Governmental Funds are those through which most governmental functions of the District are financed. The District has presented the following major governmental funds:

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**General Fund**

The General Fund is for the general operations of the District and all financial transactions not required to be accounted for in another fund.

**Capital Projects Fund 2005A**

The Capital Projects Fund is used to account for the acquisition, construction and renovation of major capital facilities and their related capital assets.

Proprietary Funds

**Enterprise (Food Service) Fund**

The Enterprise Fund accounts for the District's Food Service operations, which is maintained to account for operations that are financed and operated in a manner similar to a private business enterprise. The fund accounts for all revenues, food purchases, costs, and expenses for the food service program on the accrual method of accounting. This method recognizes expenses when incurred and revenues when earned. All proprietary activities are accounted for using GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB.

Fiduciary Fund Types

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs.

**Trust Fund**

The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations.

**Agency Fund**

The agency funds account for funds held on behalf of the students of the District. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Cash and Cash Equivalents

For the purposes of reporting cash flows for proprietary fund financial statements, cash and cash equivalents include cash on hand, amounts due from banks and highly-liquid investments with original maturities of less than 90 days.

Investments

Investments are stated at fair value, the amount at which a financial instrument could be exchanged in a current transaction between parties, other than in a forced or liquidation sale. This method of valuation is in compliance with GASB Statement #31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

Intergovernmental Receivables/Payables

During the course of operations, numerous transactions occur between governmental units for payment of services and subsidy payments. These receivables and payables are classified as intergovernmental receivables and payables on the balance sheet.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, and property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

The District defines capital assets as assets with an initial, individual cost equal to or greater than \$3,000 or composite assets with a cost of more than \$10,000 and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

	<u>Years</u>
Buildings and building improvements	40
Land improvements	20
Property and equipment	5-20
Library books	5-7

Compensated Absences

The School District's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Revenues

General Fund deferred revenues represent primarily delinquent taxes not collected within 60 days subsequent to the District's year-end and grant revenue received, but not yet earned. It is expected that these receivables will be collected and included in revenues of future fiscal years. The deferred revenues on the government-wide financial statements, consist of grant revenue received, but not yet earned.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities columns of the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and payment of principle and interest reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Assets and Fund Equity

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

In the fund financial statements the School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods.

Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets.



**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash and Cash Equivalents

Under Act No. 72 enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured by the Federal Deposit Insurance Corporation.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$1,787,491 of the District's bank balance of \$1,987,491 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the District's name	\$ 1,787,491
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Investments

Under Section 440.1 of the Public School Act of 1949 as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

As of June 30, 2008, the District had the following investments:

Investment	Fair Value
PA Local Government Investment Trust	\$ 35,349
PA School District Liquid Asset Fund	1,383,566
US Bank Money Market	1,672,613
Federated Treasury Money Market	22,561
Federal Home Loan Mortgage Corp	5,804,955
Federal Home Loan Bank	2,935,247
Federal National Mortgage Association	4,965,900
	\$ 16,820,191

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, continued

*Custodial Credit Risk – Investments.* 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 investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

*Credit Risk.* The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2008, the District's investments were rated as:

Investment	Standard & Poor's
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA
Federal Home Loan Mortgage corp	Not available
Federal Home Loan Bank	Not available
Federal National Mortgage Association	Not available

*Interest Rate Risk.* Interest Rate risk is the risk that changes in interest rates will adversely affect an investment's value. The District does not have a formal policy regarding interest rate risk. As of June 30, 2008, the District's investments had the following weighted average maturities:

Investment	Fair Value	Weighted Average Maturity (Days)
Federal Home Loan Mortgage corp	\$ 5,804,955	112
Federal Home Loan Bank	\$ 2,935,247	54
Federal National Mortgage Association	\$ 4,965,900	71
PA Local Government Investment Trust	\$ 35,349	58
PA School District Liquid Asset Fund	\$ 1,383,566	51

The mortgage pass-through investments are highly sensitive to changes in interest rate changes because of prepayment options.

*Concentration of Credit Risk.* A concentration of investments in any one single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The District does not have a formal policy regarding concentration of credit risk. More than five percent of the Government-wide investments are invested in the following single issuers:

Investment	Fair Value	Percent of total Government Wide Investments
Federal Home Loan Mortgage corp	\$ 5,804,955	35%
Federal Home Loan Bank	\$ 2,935,247	17%
Federal National Mortgage Association	\$ 4,965,900	30%

# INTERBORO SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

### 3. SCHOOL TAXES

The tax on real estate, as levied by the School Board, was 29.35 mills (\$29.35 per \$1,000 of assessed valuation) for fiscal year 2008. Assessed valuation of property is established by the Board of Assessments, and the elected or appointed tax collectors are responsible for collection. Real property in the district for the July 1, 2007 levy was assessed at \$1,145,133,786. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 – August 31	2% discount period
September 1 – October 31	Face value period
November 1 – December 31	10% penalty period
February 28	Lien date

For government-wide financial statements, the school district, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable. The amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

### 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2008:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Nonmajor Funds	\$ 372,013	\$ 372,013
	<u>\$ 372,013</u>	<u>\$ 372,013</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers are summarized as follows:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 326,733	\$ -
Nonmajor Funds	-	326,733
	<u>\$ 326,733</u>	<u>\$ 326,733</u>

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**5. CAPITAL ASSETS**

Capital Asset Activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
<u>Governmental Activities:</u>				
Capital assets not being depreciated				
Land	\$ 1,674,131	\$	\$	\$ 1,674,131
Capital assets being depreciated				
Land improvements	1,412,168			1,412,168
Buildings and improvements	46,406,699	1,340,134		47,746,833
Property and equipment	15,679,428	157,916		15,837,344
Total capital assets being depreciated at historical cost	63,498,295	1,498,050	-	64,996,345
Less accumulated depreciation for				
Land improvements	(610,648)	(48,731)		(659,379)
Buildings and improvements	(21,467,396)	(1,068,063)		(22,535,459)
Property and equipment	(13,691,351)	(339,184)		(14,030,535)
Total accumulated depreciation	(35,769,395)	(1,455,978)	-	(37,225,373)
Total capital assets being depreciated, net	27,728,900	42,072	-	27,770,972
Governmental Activities capital assets, net	\$ 29,403,031	\$ 42,072	\$ -	\$ 29,445,103
<u>Business-type Activities:</u>				
Capital assets being depreciated				
Machinery and equipment	\$ 382,867	\$ 1,948	\$	\$ 384,815
Less accumulated depreciation	(330,755)	(11,541)		(342,296)
Business-type activities capital assets, net	\$ 52,112	\$ (9,593)	\$ -	\$ 42,519

Depreciation expense for Governmental Activities was charged as direct expense to programs of the primary government as follows:

Instruction	\$ 11,761
Instructional Student Support	8,551
Administrative Support Services	138,115
Operation and Maintenance of Plant Services	1,104,697
Pupil Transportation	109,561
Student Activities	83,293
Community Services	-
Total Governmental Activities depreciation expense	\$ 1,455,978

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM LIABILITIES**

The following is a summary of governmental long-term liability activity of the district for the year ending June 30, 2008:

Type	Principal Outstanding July 1, 2007	Additions	Repayments	Principal Outstanding June 30, 2008	Due within One Year
General Obligation Bond - 2001	\$ 4,020,000	\$	\$ 740,000	\$ 3,280,000	\$ 765,000
General Obligation Bond - 2002B	5,230,000		5,230,000	-	-
General Obligation Bond - 2004	9,700,000		75,000	9,625,000	75,000
General Obligation Bond - 2005	5,780,000		5,000	5,775,000	5,000
General Obligation Bond - 2005A	8,400,000		5,070,000	3,330,000	10,000
General Obligation Bond - 2005AA	3,765,000		180,000	3,585,000	185,000
General Obligation Bond - 2008A	-	5,670,000		5,670,000	15,000
General Obligation Bond - 2008B	-	5,345,000		5,345,000	240,000
	36,895,000	11,015,000	11,300,000	36,610,000	1,295,000
Net Discount/Premium	(198,373)	44,595	(10,934)	(142,844)	
	36,696,627	11,059,595	11,289,066	36,467,156	1,295,000
Compensated Absences	2,652,705		230,556	2,422,149	391,517
Total	<u>\$ 39,349,332</u>	<u>\$ 11,059,595</u>	<u>\$ 11,519,622</u>	<u>\$ 38,889,305</u>	<u>\$ 1,686,517</u>

The general fund has liquidated long term liabilities in prior years.  
Interest expense for the year ended June 30, 2008 was \$1,889,823.

Principal and interest payments for the succeeding fiscal years are as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 1,295,000	\$ 1,421,775	\$ 2,716,775
2010	1,345,000	1,386,045	2,731,045
2011	1,395,000	1,334,223	2,729,223
2012	1,455,000	1,280,234	2,735,234
2013	625,000	1,222,178	1,847,178
2014-2018	8,495,000	5,323,971	13,818,971
2019-2023	10,320,000	3,531,375	13,851,375
2024-2028	11,600,000	1,266,321	12,866,321
2029	80,000	3,600	83,600
	<u>\$ 36,610,000</u>	<u>\$ 16,769,722</u>	<u>\$ 53,379,722</u>

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**6. LONG-TERM LIABILITIES, continued**

Bonds payable at June 30, 2008, consisted of:

General Obligation Bond Series 2001. Original principal amount of \$7,670,000, maturing through July 15, 2012, bearing interest from 3.25% to 4.52%. Interest is paid semi-annually on January 15 and July 15. \$ 3,280,000

General Obligation Bond Series 2004. Original principal amount of \$10,000,000, maturing through February 15, 2023, bearing interest from 1.1% to 4.3%. Interest is paid semi-annually on February 15 and August 15. This bond issue advance refunded a portion of the General Obligation Bonds Series 1997. The principal outstanding is reported net of a \$83,521 discount. 9,541,479

General Obligation Bond Series 2005. Original principal amount of \$5,790,000, maturing through August 15, 2025, bearing interest from 2.00% to 4.35%. Interest is paid semi-annually on February 15 and August 15. This bond issue advance refunded the remaining General Obligation Bonds Series 1997. The principal outstanding is reported net of a \$50,291 discount. 5,724,709

General Obligation Bond Series 2005A. Original principal amount of \$8,435,000, maturing through September 15, 2028, bearing interest from 2.5% to 5.0%. Interest is paid semi-annually on March 15 and September 15. The bonds were issued to fund capital projects. The principal outstanding is reported net of a \$7,134 discount. 3,322,866

General Obligation Bond Series 2005AA. Original principal amount of \$3,845,000, maturing through February 15, 2023, bearing interest from 2.8% to 4.1%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to advance refund the General Obligation Bond Series 2002A. The principal outstanding is reported net of a \$45,424 discount. 3,539,576

General Obligation Bond Series 2008A. Original principal amount of \$5,670,000, maturing through September 15, 2026, bearing interest from 2.8% to 4.1%. Interest is paid semi-annually on March 15 and September 15. The bonds were issued to advance refund a portion of the General Obligation Bond Series 2005A. The principal outstanding is reported net of a \$30,513 discount. 5,639,487

General Obligation Bond Series 2008B. Original principal amount of \$5,345,000, maturing through August 15, 2016, bearing interest from 2.8% to 4.1%. Interest is paid semi-annually on February 15 and August 15. The bonds were issued to advance refund the General Obligation Bond Series 2002B. The principal outstanding is reported net of a \$74,039 premium. 5,419,039

\$ 36,467,156

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

6. LONG-TERM LIABILITIES, continued

**Refunding**

On February 15, 2008, the District issued \$5,670,000 in General Obligation Bonds with an average interest rate of 3.32%, which was used to advance refund a portion of the outstanding 2005A General Obligation Bonds (\$5,404,500). U.S. government securities in the amount of \$5,404,500 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the 2005A Series bonds. The District advance refunded a portion of the 2005A Series bonds to obtain an economic gain (difference between the present values of the debt service payment of the old and new debt) of approximately \$128,680. In addition, approximately \$127,643 was deposited into the Capital Reserve Fund for future capital projects.

On April 15, 2008 The District issued \$5,345,000 in General Obligation Bonds with an average interest rate of 3.41%, which was used to currently refund the remaining \$5,050,000 of outstanding 2002B Series bonds. US Government securities in the amount of \$5,090,848 were deposited in an irrevocable trust with an escrow agent to provide for the redemption of the 2002B Series bonds. As a result of the District refunding the 2002B Series bonds approximately \$244,370 was deposited into the Capital Reserve Fund for future capital projects.

**Defeasance of Debt**

The District defeased certain general obligation bonds by placing the proceeds of the new bonds in irrevocable escrow accounts with a trust agent to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. The balance of defeased debt is \$5,065,000 at June 30, 2008.

7. PENSION PLAN

Public School Employees' Retirement System Plan

Substantially, all full-time and part-time employees of the District participate in the Pennsylvania Public School Employees' Retirement System (the System), a governmental cost-sharing, multiple-employer defined benefit plan.

The PSERS provides retirement, disability, legislatively mandated ad hoc cost of living adjustments and healthcare insurance premium assistance to eligible annuitants. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

7. PENSION PLAN, continued

The PSERS system issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement system, P. O. Box 125 Harrisburg, PA 17108-0125. The report is also available in the publications section of the PSERS site on the Internet at [www.psers.state.pa.us](http://www.psers.state.pa.us). The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth.

**Member Contributions** – Active members who joined the system prior to July 22, 1983, contribute a 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

**Employer Contribution** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2008, the rate of employer's contribution was 7.13 percent of covered payroll. The 7.13 percent rate is composed of a pension contribution rate of 6.44 percent for pension benefits and .69 percent for healthcare insurance premium assistance.

The District's contributions to PSERS for the fiscal year ending June 30, 2008, 2007, and 2006, were \$1,856,784, \$1,438,049 and \$1,136,201, respectively, equal to the required contributions for each year.

8. OPERATING LEASES

The District currently is obligated under operating lease agreements for various office equipment leases. The minimum rental cost for the year ending June 30, 2009 is \$319. The Rental expense for the year ending June 30, 2008 was \$62,602.

9. AUTHORITY RENTAL

The School District has entered into long-term lease agreements with the Delaware County Vocational Technical School Authority (DCVTSA) and the Delaware County Community College Authority (DCCCA) for use of school facilities constructed by the authorities. The facilities are maintained and operated by the School District under long-term lease agreements which expire in 2013 and 2018 unless the authority bond issues are earlier retired and the lease payments thereby cancelled. Complete Financial Statements for the DCVTSA can be obtained from the Delaware County Vocational Technical School and for the DCCCA can be obtained from the Delaware County Community College.



**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**9. AUTHORITY RENTAL, continued**

Lease rental commitments stated at amounts equivalent to the outstanding bonds of the authority at June 30, 2008 were:

<u>Lessor School Activity</u>	<u>Final Lease Year</u>	<u>Lease Commitments (Authority Bonds Outstanding)</u>
Delaware County Vocational - Technical School (Based on 2007–2008 Allocation Factor Assigned to the District –7.82%)	2013	\$ 152,482
Delaware County Community College (Based on 2007-2008 Allocation Factor Assigned to the District – 5.5474%)	2018	\$ 376,461

**10. EARLY RETIREMENT INCENTIVE PLAN**

The District offers an Early Retirement Incentive Plan (ERIP) to qualified employees. The incentive is an annual lump sum payment based on the provisions of the ERIP as outlined in each of the bargaining units' contracts. The total future obligation for these incentives has been estimated at \$590,850 as follows:

<u>Year Ended June 30,</u>	<u>ERIP</u>
2009	\$ 239,300
2010	170,900
2011	112,950
2012	49,750
2013	17,950
	<u>\$ 590,850</u>

**11. SELF INSURANCE**

The School District self-insures worker's compensation through the Pennsylvania Insurance Consortium for Schools. The Pennsylvania Insurance Consortium for Schools is an association consisting of school districts, intermediate units, and vocational-technical schools of the Commonwealth of Pennsylvania. The School District obtained a self-insurance exemption from the Commonwealth of Pennsylvania, Department of Labor and Industry, Bureau of Workers' Compensation, which allows the School District to self-insure workers' compensation.

Each year the School District is required to deposit funds into the central fund. The School District is then billed monthly for actual claims paid during the previous month up to the level of retention. After the level of retention is reached, claim payments are made from the central fund.

**INTERBORO SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**11. SELF INSURANCE, continued**

At the end of each fiscal year, reserves are established or adjusted on all outstanding claims. Funds in the central fund at the end of the fiscal year are not refunded.

The School District does not carry dental or prescription insurance, because of its prohibitive cost, the district covers all claim settlements out of its General Fund resources. The School District currently reports all its risk management activities in the fund financial statements in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

<u>Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Charges</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007-2008	\$ 347,709	\$ 1,722,084	\$ 1,806,950	\$ 262,843

**12. CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**13. RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance. There were no significant reductions in insurance coverage for the fiscal year ending June 30, 2008.

**14. SPLIT-DOLLAR LIFE INSURANCE**

The District entered into Split-Dollar Life Insurance collateral assignment agreements with nine retirees. Pursuant to each collateral assignment agreement, a portion of the death benefit payable upon the death of the insured is "collaterally assigned" to the District in an amount equal to the aggregate sum of the life insurance premiums paid by the District during the life of the insured. The balance of the death benefit is retained by the insured's designated beneficiary. The cumulative premium amount paid and receivable by the District is \$456,980 as of June 30, 2008.

REQUIRED

SUPPLEMENTARY INFORMATION

**INTERBORO SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Local sources	\$ 35,962,524	\$ 35,962,524	\$ 36,647,174	\$ 684,650
State sources	13,344,009	13,344,009	13,239,803	(104,206)
Federal sources	641,544	641,544	692,461	50,917
Other financing sources				
Refund of prior years expenditures	-	-	643,738	643,738
Total Revenues	<u>49,948,077</u>	<u>49,948,077</u>	<u>51,223,176</u>	<u>1,275,099</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Instruction				
Regular programs	20,950,706	20,987,227	21,179,241	(192,014)
Special programs	7,940,624	7,897,431	7,489,158	408,273
Vocational programs	858,187	860,840	807,157	53,683
Other instructional programs	527,024	527,024	649,786	(122,762)
Adult education programs	28,626	28,626	27,525	1,101
Community college education programs	373,055	374,165	374,165	-
Total Instruction	<u>30,678,222</u>	<u>30,675,313</u>	<u>30,527,032</u>	<u>148,281</u>
Support Services				
Pupil personnel services	1,979,354	1,976,049	1,809,859	166,190
Instructional staff services	1,034,039	1,036,773	1,070,144	(33,371)
Administration services	3,784,186	3,805,341	3,658,819	146,522
Pupil health	609,729	609,729	593,729	16,000
Business services	575,972	547,803	545,511	2,292
Operation and maintenance of plant services	3,691,150	3,690,844	3,755,228	(64,384)
Student transportation	1,300,057	1,308,957	1,347,848	(38,891)
Central services	815,798	819,798	583,355	236,443
Other support services	1,636,584	1,636,584	1,511,321	125,263
Total Support Services	<u>15,426,869</u>	<u>15,431,878</u>	<u>14,875,814</u>	<u>556,064</u>
Operation of Non-instructional Services				
Student activities	639,193	639,193	609,294	29,899
Community services	110,180	109,190	108,738	452
Total Operation of Non-instructional Services	<u>749,373</u>	<u>748,383</u>	<u>718,032</u>	<u>30,351</u>
Other Financing Uses				
Interfund Transfers	160,000	160,000	326,733	(166,733)
Capital Outlay	1,750,000	1,750,000	171,931	1,578,069
Debt service	2,825,965	2,824,855	2,694,825	130,030
Refunds of prior year	-	-	-	-
Budgetary reserve	77,711	77,711		77,711
Total Other Financing Uses	<u>4,813,676</u>	<u>4,812,566</u>	<u>3,193,489</u>	<u>1,619,077</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>51,668,140</u>	<u>51,668,140</u>	<u>49,314,367</u>	<u>2,353,773</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(1,720,063)</u>	<u>(1,720,063)</u>	<u>1,908,809</u>	<u>3,628,872</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>9,628,127</u>	<u>9,628,127</u>	<u>9,628,127</u>	<u>-</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$ 7,908,064</u>	<u>\$ 7,908,064</u>	<u>\$ 11,536,936</u>	<u>\$ 3,628,872</u>

## INTERBORO SCHOOL DISTRICT

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON

JUNE 30, 2008

#### 1. Budgetary Data

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

- a. Prior to February 15, the School Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund.
- b. Public hearings are conducted at the INTERBORO School District building to obtain taxpayer comments.
- c. Prior to June 30, the budget is legally enacted through passage of an ordinance.
- d. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund must be approved by the School Board.
- e. Budgetary data are included in the District's management information system and are employed as a management control device during the year.
- f. Budgets for the General Fund are adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

A budget is not required for the Capital Projects or Capital Reserve funds.

## SUPPLEMENTARY INFORMATION

**INTERBORO SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2008

	Capital Reserve Fund	2008A Bond Fund	2008B Bond Fund	Athletic Fund	Total Nonmajor Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 752,957	\$ 2,997	\$ 3,573	\$ 20,243	\$ 779,770
Interfund Receivables		127,643	244,370		372,013
<b>TOTAL ASSETS</b>	<u>\$ 752,957</u>	<u>\$ 130,640</u>	<u>\$ 247,943</u>	<u>\$ 20,243</u>	<u>\$ 1,151,783</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Interfund payables	\$ 372,013		\$	\$	\$ 372,013
Accounts payable	208			502	710
<b>TOTAL LIABILITIES</b>	<u>372,221</u>	<u>-</u>	<u>-</u>	<u>502</u>	<u>372,723</u>
<b>FUND BALANCES</b>					
Reserved for:					
Athletic Purposes		130,640		19,741	19,741
Capital Projects	380,736		247,943		759,319
<b>TOTAL FUND BALANCES</b>	<u>380,736</u>	<u>130,640</u>	<u>247,943</u>	<u>19,741</u>	<u>779,060</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 752,957</u>	<u>\$ 130,640</u>	<u>\$ 247,943</u>	<u>\$ 20,243</u>	<u>\$ 1,151,783</u>

See accompanying notes to the basic financial statements

# INTERBORO SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Capital Reserve Fund	2008A Bond Fund	2008B Bond Fund	Athletic Fund	Total Nonmajor Funds
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Local sources					
TOTAL REVENUES	\$ 6,085	\$ 2,941	\$ 3,573	\$ 14,881	\$ 27,480
Other Financing Sources:	6,085	2,941	3,573	14,881	27,480
Interfund transfer	278,683			48,050	326,733
Proceeds from refunding bonds		5,670,000	5,345,000		11,015,000
TOTAL OTHER FINANCING SOURCES	278,683	5,670,000	5,345,000	48,050	11,341,733
TOTAL REVENUE AND OTHER FINANCING SOURCES	284,768	5,672,941	5,348,573	62,931	11,369,213
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Support services		137,801	9,782	35,921	147,583
Operation of non-instructional services					35,921
Capital outlay	20,186				20,186
TOTAL EXPENDITURES	20,186	137,801	9,782	35,921	203,690
Other Financing Uses:					
Payments to refund bonds		5,404,500	5,090,848		10,495,348
TOTAL OTHER FINANCING USES		5,404,500	5,090,848		10,495,348
TOTAL EXPENDITURES AND OTHER FINANCING USES	20,186	5,542,301	5,100,630	35,921	10,699,038
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	264,582	130,640	247,943	27,010	670,175
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	116,154			(7,269)	108,885
FUND BALANCE AT END OF YEAR	\$ 380,736	\$ 130,640	\$ 247,943	\$ 19,741	\$ 779,060

See accompanying notes to the basic financial statements



**INTERBORO SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount	Accrued or (Deferred) at July 1, 2007	Total Received For the Year	Expenditures	Accrued or (Deferred) at June 30, 2008	Revenue Recognized
<b>U.S. DEPT. OF EDUCATION</b>									
Passed Through the PA Dept. of Education									
Title I - Low Income	84.010	013-07-0197	07/06/06-09/30/07	\$ 339,031	\$ (26,268)	\$ 21,364	\$ 47,632	\$ -	\$ 47,632
Title I - Low Income	84.010	013-08-0197	07/01/07-09/30/08	390,734		338,652	364,871	26,219	364,871
Title I - Academic Achievement	84.010	077-07-0197	07/01/06-09/30/08	6,228		6,228	6,228	-	6,228
Title II - Improving Teacher Quality	84.281	020-07-0197	07/01/06-09/30/07	137,839	18,370	18,370	-	-	-
Title II - Improving Teacher Quality	84.281	020-08-0197	07/01/07-09/30/08	140,105		130,764	136,082	5,318	136,082
Title V - Innovative Education	84.298	011-08-0197	07/01/07-09/30/08	3,748		3,748	3,748	-	3,748
Drug Free Schools	84.186	100-08-0197	11/07/07-09/30/08	11,978		8,711	11,978	3,267	11,978
Medical Assistance - Access Admin	93.778	044-00-7197	07/01/06-06/30/07	11,577	3,946	3,946	-	-	-
Medical Assistance - Access Admin	93.778	044-00-7197	07/01/07-06/30/08	11,359		8,229	11,359	3,130	11,359
Passed Through the Delaware County Intermediate Unit #25									
IDEA	84.027		07/01/06-06/30/07	644,777	245,539	245,539			-
IDEA	84.027		07/01/07-06/30/08	639,160		639,160	639,160	-	639,160
<b>TOTAL U.S. DEPT. OF EDUCATION</b>				<b>2,336,536</b>	<b>241,587</b>	<b>1,424,711</b>	<b>1,221,058</b>	<b>37,934</b>	<b>1,221,058</b>
<b>CHILD NUTRITION CLUSTER</b>									
<b>U.S. DEPT. OF AGRICULTURE</b>									
Passed Through the PA Dept. of Education									
National School Lunch Program	10.555	362	07/01/06-06/30/07	N/A	7,252	7,252			-
National School Lunch Program	10.555	362	07/01/07-06/30/08	N/A		203,471	278,990	75,519	278,990
Passed Through the PA Dept. of Agriculture									
Value of USDA Commodities	10.555		07/01/07-06/30/08			41,023	41,023		41,023
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>						<b>251,746</b>	<b>320,013</b>	<b>75,519</b>	<b>320,013</b>
<b>TOTAL FEDERAL AWARDS</b>				<b>2,336,536</b>	<b>248,839</b>	<b>1,676,457</b>	<b>1,541,071</b>	<b>113,453</b>	<b>1,541,071</b>
<b>STATE GRANTOR/PROGRAM TITLE</b>									
Food Nutrition Service	N/A	510	07/01/06-06/30/07		775	775			-
Food Nutrition Service	N/A	510	07/01/07-06/30/08			22,257	30,357	8,100	30,357
<b>TOTAL STATE AWARDS</b>					<b>775</b>	<b>23,032</b>	<b>30,357</b>	<b>8,100</b>	<b>30,357</b>
<b>TOTAL FEDERAL AND STATE AWARDS</b>				<b>\$ 2,336,536</b>	<b>\$ 249,614</b>	<b>\$ 1,699,489</b>	<b>\$ 1,571,428</b>	<b>\$ 121,553</b>	<b>\$ 1,571,428</b>

## **INTERBORO SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2008**

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal awards programs of INTERBORO SCHOOL DISTRICT. Federal Awards passed through other government agencies is included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis of accounting as described in the notes to the financial statements.

**3. NON-MONETARY ASSISTANCE**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.



**MAJOR & MASTRO, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

To the Board of School Directors  
INTERBORO SCHOOL DISTRICT  
Prospect Park, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of INTERBORO SCHOOL DISTRICT as of and for the year ended June 30, 2008, which collectively comprise INTERBORO SCHOOL DISTRICT's basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects INTERBORO SCHOOL DISTRICT's ability to initiate, authorize, record, process, or report financial data

reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of INTERBORO SCHOOL DISTRICT's financial statements that is more than inconsequential will not be prevented or detected by INTERBORO SCHOOL DISTRICT's internal control. We consider the deficiency 05-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether INTERBORO SCHOOL DISTRICT's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of INTERBORO SCHOOL DISTRICT in a separate letter dated November 12, 2008.

INTERBORO SCHOOL DISTRICT's response to the findings identified in our audit is described in the accompanying schedule of finding and questioned costs. We did not audit INTERBORO SCHOOL DISTRICT's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, the U.S. Department of Education, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 12, 2008

MAJOR & MASTRO, LLC  
*Certified Public Accountants*

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.



**MAJOR & MASTRO, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of School Directors  
INTERBORO SCHOOL DISTRICT  
Prospect Park, Pennsylvania

Compliance

We have audited the compliance of INTERBORO SCHOOL DISTRICT with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. INTERBORO SCHOOL DISTRICT's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of INTERBORO SCHOOL DISTRICT's management. Our responsibility is to express an opinion on INTERBORO SCHOOL DISTRICT's compliance based on our audit.

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

In our opinion, INTERBORO SCHOOL DISTRICT complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The management of INTERBORO SCHOOL DISTRICT is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered INTERBORO SCHOOL DISTRICT's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of INTERBORO SCHOOL DISTRICT's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of School Directors, others within the entity, the U.S. Department of Education, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 12, 2008

MAJOR & MASTRO, LLC  
Certified Public Accountants



## INTERBORO SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2008

#### A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of INTERBORO SCHOOL DISTRICT.
2. One significant deficiencies relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The significant deficiency reported was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of INTERBORO SCHOOL DISTRICT were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
5. The Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for INTERBORO SCHOOL DISTRICT expresses an unqualified opinion.
6. No audit findings were disclosed relating to major programs that are required to be reported under section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

	<u>CFDA #</u>
IDEA	84.027
Title I	84.010
8. The threshold for distinguishing Types A and B programs was \$ 300,000.
9. INTERBORO SCHOOL DISTRICT did qualify as a low-risk auditee.

## INTERBORO SCHOOL DISTRICT

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued

FOR THE YEAR ENDED JUNE 30, 2008

#### B. FINDINGS - FINANCIAL STATEMENT AUDIT

##### 05-1 Segregation of Payroll Duties

###### *Finding*

During our audit, we noted that the payroll employee has access to enter personnel and payroll information for employees. The lack of segregation of duties increases the risk that an error or irregularity could occur and go undetected. This was also a finding in the prior years.

###### *Recommendation*

We recommend that adding and terminating employees, as well as updating personnel information, be restricted to the human resource department.

###### *Management's Response*

Management agrees with this finding and corrective actions are being implemented whereas the entering, deleting and/or updating personnel files will be overseen by someone other than the Payroll Specialist. This individual will be from upper management (supervisor or director).

#### C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT.

None