

PENNRIDGE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2009



MAILLIE, FALCONIERO & COMPANY, LLP

Certified Public Accountants and Business Counselors

INTRODUCTORY SECTION

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District, Perkasie, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pennridge School District, Perkasie, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District, Perkasie, Pennsylvania, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the Pennridge School District, Perkasie, Pennsylvania'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 on pages 6 through 18, budgetary comparison information on pages 58 and 59 and postemployment benefits other than pension funding progress on page 60 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 Pennridge School District, Perkasie, Pennsylvania's basic financial statements. The combining schedule of fiduciary net assets is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Pennridge School District, Perkasie, Pennsylvania. The combining schedule of fiduciary net assets and the schedule of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maillie Falconier & Company, LLP

Oaks, Pennsylvania
December 14, 2009

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

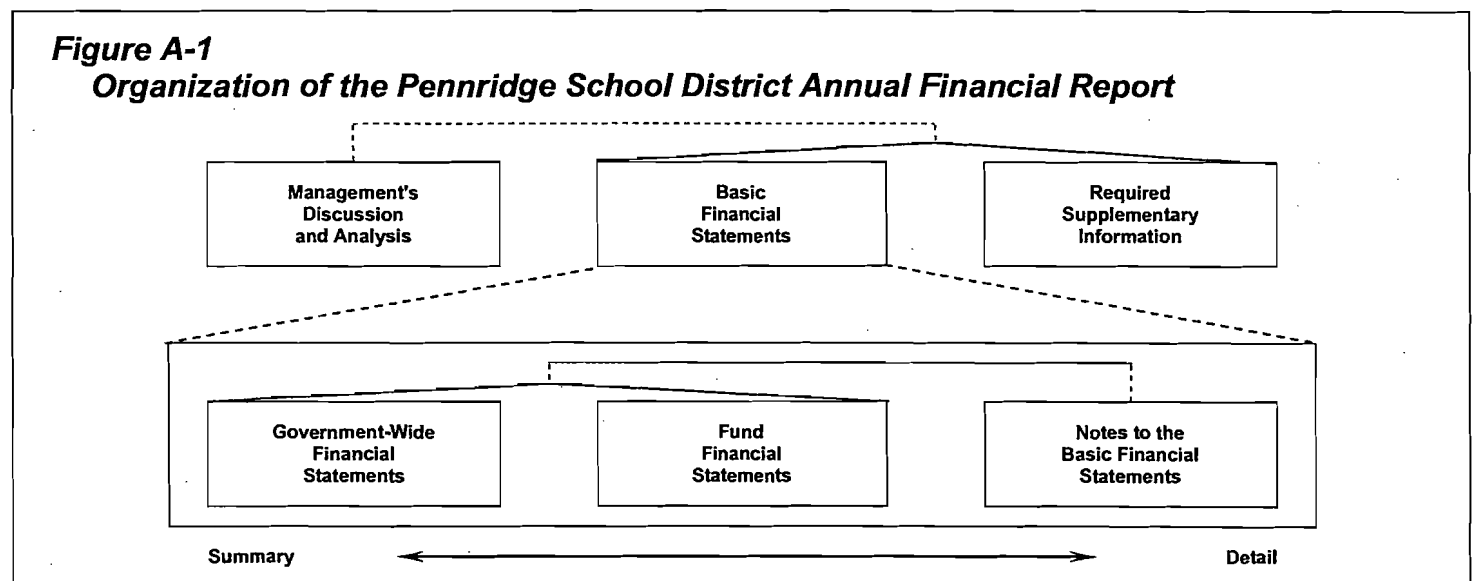
This section of the Pennridge School District's annual financial report presents its discussion and analysis of the School District's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Pennridge School District exceeded its liabilities at the close of the most recent fiscal year by \$52,070,292 (net assets).
- The School District's total net assets increased by \$4,884,790.
- As of the close of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$32,170,810, a decrease of \$4,240,767 in comparison with the prior year. The majority of this fund balance is restricted for specific capital projects and expenditures.
- The unreserved fund balance of the General Fund is \$4,282,497 or 4.14% of total General Fund expenditures.
- The Pennridge School District's general obligation debt decreased by \$7,137,230.

OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another.



PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

This discussion and analysis is intended to serve as an introduction to the Pennridge School District's basic financial statements. The Pennridge 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 Pennridge School District's finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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.

Both of the government-wide financial statements distinguish functions of the Pennridge 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 through user fees and charges (business-type activities). The governmental activities of the Pennridge School District include Instruction, Support Services, Operation of Non-Instructional Services, Depreciation Expense, Unallocated and Interest on Long-Term Debt. The business-type activity of the Pennridge School District is Food Services.

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 Pennridge 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 Pennridge School District can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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 Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the 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 Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

The Pennridge School District maintains four individual Governmental Funds. Information is presented separately on the Governmental Funds balance sheet and on the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Projects Fund, the Capital Reserve Fund and the Athletic Fund, all of which are considered to be major funds.

The Pennridge School District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund for your review.

Proprietary Funds

The Pennridge School District maintains two different types of Proprietary Funds. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the Enterprise Fund for student food services and uses the Internal Service Fund to account for health insurance, self-insurance activities. Because the self-insurance activities benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

The information reported on the fund statements for the Proprietary Funds provides the same type of information as the government-wide financial statements, only in more detail.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

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 statements because the resources of those funds are not available to support the Pennridge School District's own programs. The accounting used for Fiduciary Funds is much like Proprietary Funds.

Notes to the Basic Financial Statements

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Pennridge School District, assets exceeded liabilities by \$52,070,292 at the close of the fiscal year.

The amount of net assets invested in capital assets, net of related debt increased over the prior year. This is the result of payment of debt associated with the recently completed High School and Middle School addition and renovation projects.

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

Table A-1
Net Assets
June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	\$ 63,519,919	\$ 61,141,604	\$ 600,768	\$ 459,956	\$ 64,120,687	\$ 61,601,560
Capital assets	161,907,262	161,454,929	142,159	205,125	162,049,421	161,660,054
TOTAL ASSETS	<u>225,427,181</u>	<u>222,596,533</u>	<u>742,927</u>	<u>665,081</u>	<u>226,170,108</u>	<u>223,261,614</u>
LIABILITIES						
Current and other liabilities	20,087,399	15,506,419	3,829	494	20,091,228	15,506,913
Long-term liabilities	153,972,404	160,529,397	36,184	39,802	154,008,588	160,569,199
TOTAL LIABILITIES	<u>174,059,803</u>	<u>176,035,816</u>	<u>40,013</u>	<u>40,296</u>	<u>174,099,816</u>	<u>176,076,112</u>
NET ASSETS						
Invested in capital assets, net of related debt	12,850,589	20,997,333	142,159	205,125	12,992,748	21,202,458
Unrestricted	38,516,789	25,563,384	560,755	419,660	39,077,544	25,983,044
TOTAL NET ASSETS	<u>\$ 51,367,378</u>	<u>\$ 46,560,717</u>	<u>\$ 702,914</u>	<u>\$ 624,785</u>	<u>\$ 52,070,292</u>	<u>\$ 47,185,502</u>

Changes in Net Assets

The results of this year's operations as a whole are reported in the Statement of Activities on page 20. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

Table A-2 takes the information from that statement and rearranges it slightly so you can see our total revenues for the year.

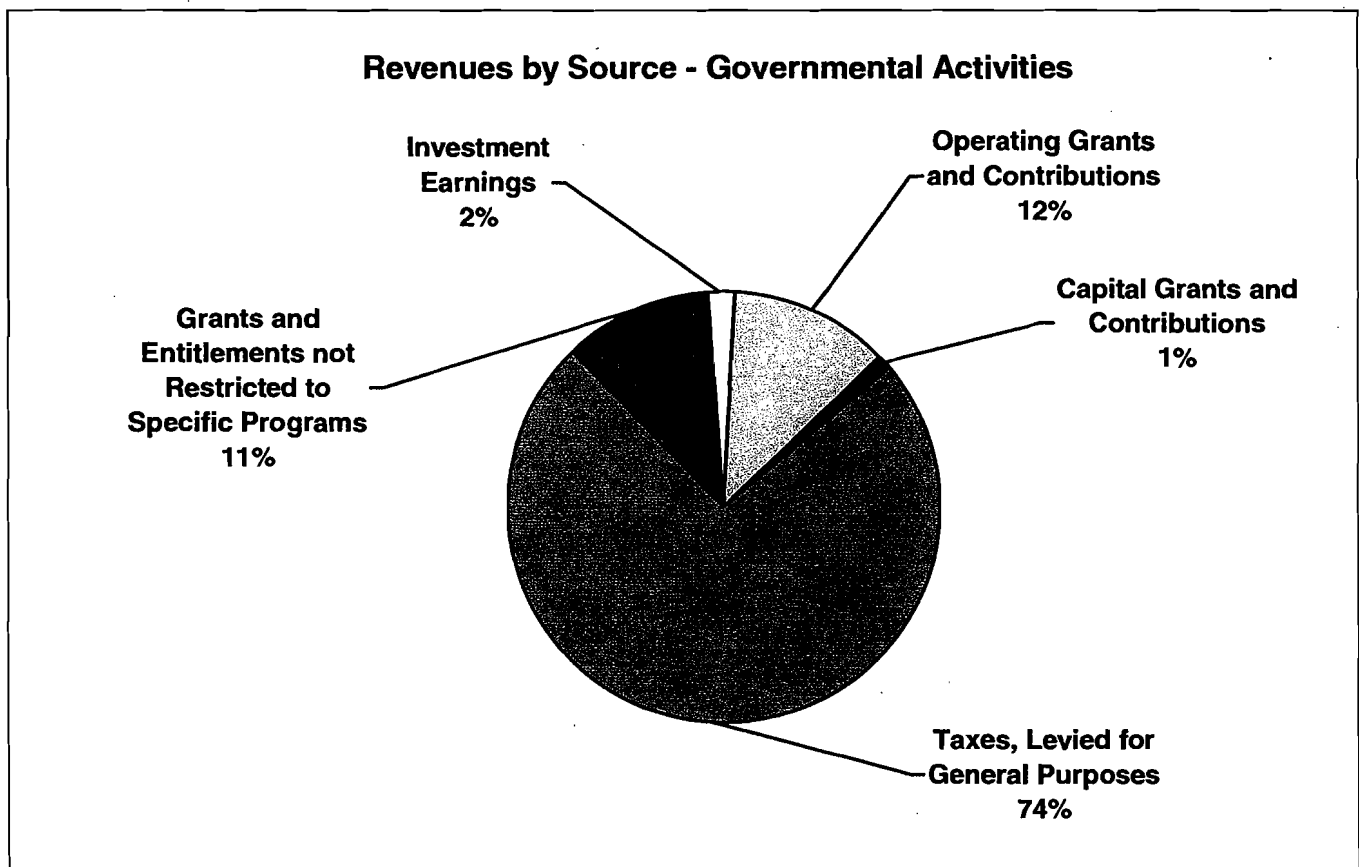
Table A-2
Changes in Net Assets
June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues						
Charges for services	\$ 294,369	\$ 334,559	\$ 1,862,826	\$ 1,851,460	\$ 2,157,195	\$ 2,186,019
Operating grants and contributions	12,722,374	12,866,683	631,956	553,225	13,354,330	13,419,908
Capital grants and contributions	1,363,981	873,633	-	-	1,363,981	873,633
General revenues						
Taxes, levied for general purposes	80,288,464	79,543,878	-	-	80,288,464	79,543,878
Grants and entitlements not restricted to specific programs	11,817,414	9,192,427	-	-	11,817,414	9,192,427
Miscellaneous	724,746	98,146	-	-	724,746	98,146
Investment earnings	1,325,409	2,747,432	6,097	14,721	1,331,506	2,762,153
TOTAL REVENUES	108,536,757	105,656,758	2,500,879	2,419,406	111,037,636	108,076,164
EXPENSES						
Instruction	57,321,567	53,437,359	-	-	57,321,567	53,437,359
Operation and maintenance of plant services	8,870,830	8,376,616	-	-	8,870,830	8,376,616
Pupil transportation	6,008,230	5,605,620	-	-	6,008,230	5,605,620
Other support services	15,171,937	14,516,017	-	-	15,171,937	14,516,017
Student activities	1,059,391	994,599	-	-	1,059,391	994,599
Community services	37,907	44,852	-	-	37,907	44,852
Depreciation expense, unallocated	8,305,922	5,815,283	-	-	8,305,922	5,815,283
Interest on long-term debt	6,953,535	5,513,084	-	-	6,953,535	5,513,084
Food services	777	3,321	2,422,750	2,403,623	2,423,527	2,406,944
TOTAL EXPENSES	103,730,096	94,306,751	2,422,750	2,403,623	106,152,846	96,710,374
INCREASE IN NET ASSETS	\$ 4,806,661	\$ 11,350,007	\$ 78,129	\$ 15,783	\$ 4,884,790	\$ 11,365,790

PENNRIDGE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
June 30, 2009

Governmental Activities

Governmental activities increased the Pennridge School District's net assets by \$4,806,661. Table A-2 identifies the key revenues and expenses of the governmental activities. The following graph illustrates the key revenues of the District. As you will notice, local taxes support 74% of the total revenues, while operating grants and contributions are 12%. Investment earnings and other unrestricted grants and subsidies account for 13%.

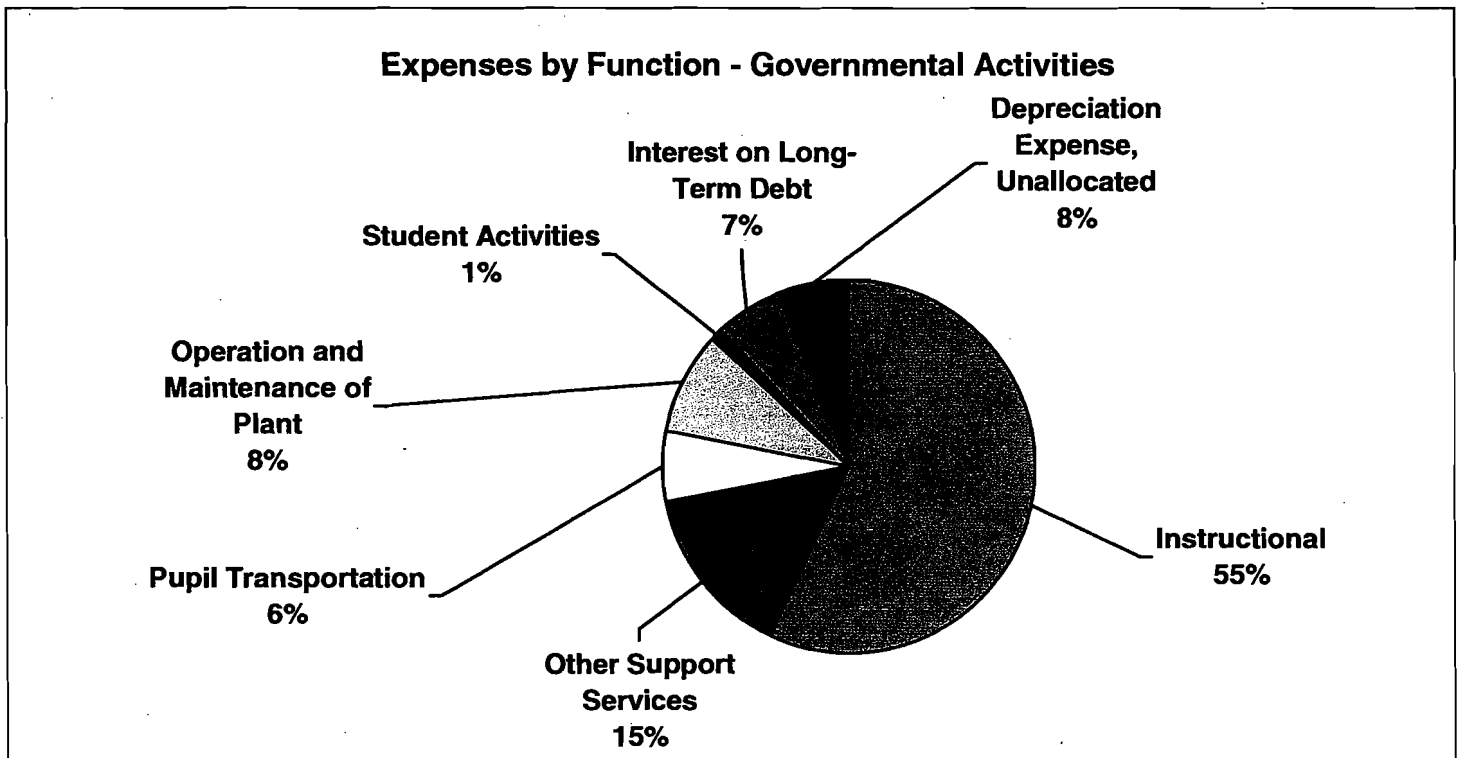


PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

The following graph illustrates the functional distribution of the District's governmental activities expenses. The largest category of District expenses is the Instructional area that accounts for 55% of all governmental activities.



PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Business-Type Activities

Business-type activities increased the Pennridge School District's net assets by \$78,129. The District food service operation has reversed the downward progression and shows a net income increase for three sequential years. The department has had its net assets increase (decrease) as follows:

	<u>Net Income (Loss)</u>	<u>Ending Net Assets</u>
2008 to 2009	\$ 78,129	\$ 702,914
2007 to 2008	15,783	624,785
2006 to 2007	45,945	609,002
2005 to 2006	40,525	563,057
2004 to 2005	(95,944)	522,532
2003 to 2004	(123,726)	618,476
2002 to 2003*	(157,845)	742,202
2001 to 2002	(79,432)	400,839

*There was a prior period adjustment that increased net assets by \$499,208 for the year ended June 30, 2003, to properly reflect the estimated cost basis of food service equipment.

There will be a more specific discussion regarding this in a later section of this document.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the Pennridge 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 Pennridge 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.

As of the end of the current fiscal year, the Pennridge School District's Governmental Funds reported combined ending fund balances of \$32,170,810, a decrease of \$(4,240,767) in comparison with the prior year. A large portion of ending fund balance is in our Capital Reserve Fund (\$21,168,245) and the Capital Projects Fund (\$6,213,547). The fund balance in the Capital Reserve Fund and a portion of the Capital Projects Fund is designated funding for building renovations identified in the District's Five Year Capital Plan.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

The General Fund is the chief operating fund of the Pennridge School District. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$4,282,497, while the total fund balance was \$4,790,656. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. The General Fund's unreserved fund balance represents 4.14% of General Fund expenditures, while total General Fund fund balance represents 4.63% of General Fund expenditures. The fund balance of the Pennridge School District's General Fund increased by \$139,830 during the current fiscal year.

The Pennridge School District maintains a Capital Reserve Fund used to accumulate funds for large capital purchases and for replacement of capital equipment in the instructional and administrative technology and student transportation departments. Operating transfers from the General Fund provide the Capital Reserve Fund resources. During the current fiscal year, there was an operating transfer of \$3,516,793 and other revenue of \$273,948 supporting this fund. There were \$1,439,541 of expenditures made during the current fiscal year. The fund balance of this fund increased from \$18,817,045 in the previous fiscal year to \$21,168,245 at year-end.

The Athletic Fund accounts for resources used in support of the interscholastic sports program, as well as funds raised by students to provide additional extracurricular activities. In the current year, there was an operating transfer from the General Fund in the amount of \$711,512 and additional revenues of \$121,739 supporting this fund. The fund balance decreased by \$1,638 during the fiscal year.

The District uses the Capital Projects Fund to account for the inflow and outflow of financial resources relating to the issuance of long-term debt used to fund large capital projects. The District has substantially completed the Fifth Street Campus project and the North Middle School project and is in the process of closing out the contracts in the North Middle School project. The District is involved in litigation with contractors responsible for the Fifth Street Campus project. The ending fund balance for the fiscal year ended June 30, 2009, was \$6,213,547.

Proprietary Funds

The Pennridge School District's Proprietary Funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the Food Service Fund at the end of the year amounted to \$702,914. The District has been pro-active in evaluating the operation of the nutritional services offered to the students. The Food Service Fund continued to operate with a profit of \$78,129.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

GENERAL FUND BUDGETARY HIGHLIGHTS

The Pennridge School District's actual revenues exceeded the budget amounts by \$333,620. Actual revenues exceeded estimated revenues because real estate collection rates exceeded the 96% rate used to prepare the budget. In addition, a conservative budget amount was used for earned income taxes. The following table identifies the specific revenue sources that reflect this situation:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Current real estate taxes	\$ 68,116,983	\$ 68,564,219	\$ 447,236
Earned income taxes	<u>10,600,000</u>	<u>10,977,446</u>	<u>377,446</u>
	<u>\$ 78,716,983</u>	<u>\$ 79,541,665</u>	<u>\$ 824,682</u>

The decreasing short-term interest rate market has caused the District to realize less than the amount budgeted for investment earnings. The actual interest earnings amounted to \$795,590 or \$404,000 less than the amount budgeted.

The budgeted expenditures exceeded the actual expenditures by \$2,224,829 or 2.1% of the final budget. Reasons for this variance relate to the number of retirees occurring after the budget was finalized, a refinancing of bond issues resulting in reduced debt service and actual healthcare benefit costs being less than the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Pennridge School District's investment in capital assets for its governmental and business-type activities for the current fiscal year amounts to \$162,049,421 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, construction in progress and furniture, equipment and vehicles. Major capital asset events during the current fiscal year included the following:

- Construction is in progress on the Fifth Street Campus. Currently, there is \$450,088 of construction in progress.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

Long-Term Debt

At the end of the current fiscal year, the Pennridge School District had total bonded debt outstanding of \$150,513,180. Of this debt, \$68,838,180 is variable rate; the remaining debt includes a fixed interest rate. All of the debt is general obligation debt and is backed by the full faith and credit of the School District. The District's debt increased by \$7,137,230 from \$157,650,410.

The District issued refunding bonds for a total of \$15,850,000 to refund all of the School District's outstanding General Obligation Bonds, Series AA of 2001, to refund all of the School District's outstanding General Obligation Bonds, Series AA of 2003, to refund all of the School District's outstanding General Obligation Bonds, Series of 2004, and to pay costs of issuing the refunding bonds. The accounting of this refunding, consistent with prior years, is recorded in the Capital Projects Fund. Inclusion in the General Fund would skew any budget trend analysis by increasing the revenue and expenditures for the June 30, 2009 school year.

State law prohibits the School District from issuing general obligation bonds in excess of 250% of the annual arithmetic average of total revenues for the three fiscal years ended preceding the date of incurring the debt. The current borrowing limit is \$268,653,458.

Additional analysis of the District's debt is included in the accompanying notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- In past years, Pennridge School District experienced significant residential growth. This growth has slowed and the District does not expect real estate assessed values to grow at the pace they had in previous years.
- Inflationary trends continue to be favorable; however, there is some information that suggests that inflation may be on an upward trend, especially in the cost of electric. Our largest electrical utility rate caps are expiring on January 1, 2010. The District has entered into a twenty-four month agreement with PENNCON to provide the electrical generation and expects our costs to remain relatively stable over the period.
- Short-term interest rates continue to be at historically low levels. This has had an adverse effect on the District's investment earnings.
- Healthcare costs have remained level over the past three fiscal years. We expect this to continue into the next fiscal year.

PENNRIDGE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

June 30, 2009

- The District's contribution to the Pennsylvania Schools Employee Retirement System is projected to increase at a very high rate over the next several years. The current economic condition suggests that the contribution rate will continue to increase for the foreseeable future.

All of these factors have been considered in preparing the Pennridge School District's budget in the 2009-2010 fiscal year.

In 2005, the District, concerned with the rise in short-term interest rates because of our high value of variable rate debt, entered into a nine-year swap agreement that effectively fixes our variable rate debt at approximately 4.10%.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Pennridge School District's finances for all those with interest in the District's finances. Questions concerning any of the information provided in this report should be addressed to the Business Administrator, Pennridge School District, Pennridge District Education Center, 1200 North Fifth Street, Perkasie, PA 18944.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 32,856,565	\$ 508,091	\$ 33,364,656
Investments	22,857,957	-	22,857,957
Taxes receivable, net	1,930,450	-	1,930,450
Internal balances	125,714	(123,514)	2,200
Due from other governments	1,187,626	94,140	1,281,766
Other receivables, net	321,845	16,184	338,029
Inventories	508,159	105,867	614,026
Prepaid expenses	160,813	-	160,813
Other assets	371,033	-	371,033
Capital assets			
Land and land improvements	950,176	-	950,176
Buildings and building improvements	193,065,338	-	193,065,338
Furniture, equipment and vehicles	17,798,353	1,896,028	19,694,381
Construction in progress	450,088	-	450,088
Accumulated depreciation	(50,356,693)	(1,753,869)	(52,110,562)
Deferred charges, net of accumulated amortization	1,179,432	-	1,179,432
Unamortized bond discount	2,020,325	-	2,020,325
TOTAL ASSETS	\$ 225,427,181	\$ 742,927	\$ 226,170,108

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 11,374,243	\$ 3,829	\$ 11,378,072
Accrued salaries and benefits	7,278,917	-	7,278,917
Accrued interest	1,363,828	-	1,363,828
Deferred revenue	70,411	-	70,411
Long-term liabilities			
Portion due or payable within one year			
Bonds/notes payable	7,529,560	-	7,529,560
Portion due or payable after one year			
Unamortized bond premium	473,925	-	473,925
Bonds/notes payable	142,983,620	-	142,983,620
Compensated absences	2,015,041	36,184	2,051,225
Other postemployment benefits	970,258	-	970,258
TOTAL LIABILITIES	174,059,803	40,013	174,099,816
NET ASSETS			
Invested in capital assets, net of related debt	12,850,589	142,159	12,992,748
Unrestricted	38,516,789	560,755	39,077,544
TOTAL NET ASSETS	51,367,378	702,914	52,070,292
TOTAL LIABILITIES AND NET ASSETS	\$ 225,427,181	\$ 742,927	\$ 226,170,108

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
GOVERNMENTAL ACTIVITIES							
Instruction							
Regular programs	\$ 39,013,256	\$ 13,411	\$ 3,607,091	\$ -	\$ (35,392,754)	\$ -	\$ (35,392,754)
Special programs	15,430,380	-	5,803,740	-	(9,626,640)	-	(9,626,640)
Vocational education	2,793,930	-	3,362	-	(2,790,568)	-	(2,790,568)
Other instructional programs	27,121	13,915	821	-	(12,385)	-	(12,385)
Adult education programs	56,880	48,006	-	-	(8,874)	-	(8,874)
Support services							
Pupil personnel services	3,364,963	-	-	-	(3,364,963)	-	(3,364,963)
Instructional staff services	3,314,581	-	-	-	(3,314,581)	-	(3,314,581)
Administration services	5,692,158	-	-	-	(5,692,158)	-	(5,692,158)
Pupil health services	911,215	-	1,103,098	-	191,883	-	191,883
Business services	668,993	-	-	-	(668,993)	-	(668,993)
Operation and maintenance of plant services	8,870,830	123,922	-	-	(8,746,908)	-	(8,746,908)
Student transportation services	6,008,230	-	2,177,637	-	(3,830,593)	-	(3,830,593)
Central services	781,036	-	-	-	(781,036)	-	(781,036)
Other services	438,991	-	-	-	(438,991)	-	(438,991)
Operation of non-instructional services							
Food services	777	-	-	-	(777)	-	(777)
Student activities	1,059,391	95,115	26,625	-	(937,651)	-	(937,651)
Community services	37,907	-	-	-	(37,907)	-	(37,907)
Depreciation expense, unallocated	8,305,922	-	-	-	(8,305,922)	-	(8,305,922)
Interest on long-term debt	6,953,535	-	-	1,363,981	(5,589,554)	-	(5,589,554)
TOTAL GOVERNMENTAL ACTIVITIES	103,730,096	294,369	12,722,374	1,363,981	(89,349,372)	-	(89,349,372)
BUSINESS-TYPE ACTIVITIES							
Food service	2,422,750	1,862,826	631,956	-	-	72,032	72,032
TOTAL SCHOOL DISTRICT ACTIVITIES	\$ 106,152,846	\$ 2,157,195	\$ 13,354,330	\$ 1,863,981	(89,349,372)	72,032	(89,277,340)
GENERAL REVENUES							
Taxes							
Property taxes, levied for general purposes					68,047,668	-	68,047,668
Public utility taxes					99,247	-	99,247
Earned income taxes					10,977,446	-	10,977,446
Real estate transfer taxes					1,033,362	-	1,033,362
Other taxes					130,741	-	130,741
Grants and contributions not restricted to specific programs					11,817,414	-	11,817,414
Investment earnings					1,325,409	6,097	1,331,506
Economic gain on debt defeasance					426,320	-	426,320
Gain on sale of capital assets					16,980	-	16,980
Miscellaneous					281,446	-	281,446
TOTAL GENERAL REVENUES					94,156,033	6,097	94,162,130
CHANGE IN NET ASSETS					4,806,661	78,129	4,884,790
NET ASSETS AT BEGINNING OF YEAR					46,560,717	624,785	47,185,502
NET ASSETS AT END OF YEAR					\$ 51,367,378	\$ 702,914	\$ 52,070,292

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS**

June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Funds</u>		<u>Total Governmental Funds</u>
			<u>Capital Reserve Fund</u>	<u>Athletic Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 581,382	\$ 1,649,150	\$ 19,577,767	\$ 67,041	\$ 21,875,340
Investments	17,227,605	5,630,352	-	-	22,857,957
Taxes receivable, net	1,930,450	-	-	-	1,930,450
Due from other funds	181,460	-	2,000,000	-	2,181,460
Due from other governments	1,187,626	-	-	-	1,187,626
Other receivables	244,787	-	-	-	244,787
Inventories	508,159	-	-	-	508,159
Prepaid items	101,548	1,724	-	-	103,272
TOTAL ASSETS	\$ 21,963,017	\$ 7,281,226	\$ 21,577,767	\$ 67,041	\$ 50,889,051
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	\$ 6,873,874	\$ 1,067,679	\$ 409,522	\$ 11,910	\$ 8,362,985
Due to other funds	2,000,000	-	-	55,746	2,055,746
Deferred revenue	1,020,593	-	-	-	1,020,593
Accrued salaries and benefits	7,277,894	-	-	1,023	7,278,917
TOTAL LIABILITIES	17,172,361	1,067,679	409,522	68,679	18,718,241
FUND BALANCES (DEFICIT)					
Reserved for					
Inventories	508,159	-	-	-	508,159
Capital Projects Fund	-	-	177,768	-	177,768
Unreserved	4,282,497	6,213,547	20,990,477	(1,638)	31,484,883
TOTAL FUND BALANCES (DEFICIT)	4,790,656	6,213,547	21,168,245	(1,638)	32,170,810
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 21,963,017	\$ 7,281,226	\$ 21,577,767	\$ 67,041	\$ 50,889,051

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2009

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 32,170,810**

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:

Land and land improvements	950,176
Buildings and building improvements	193,065,338
Furniture, equipment and vehicles	17,798,353
Construction in progress	450,088
Accumulated depreciation	(50,356,693)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred charges	1,434,488
Accumulated amortization on deferred charges	(255,056)

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the governmental activities on the statement of net assets.

Unamortized bond discount	2,020,325
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The assets and liabilities of the Internal Service Fund are not included in the fund financial statements but are included in the governmental activities on the statement of net assets.

8,434,034

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	(1,363,828)
Bonds/notes payable	(150,513,180)
Bond premium	(473,925)
Compensated absences	(2,015,041)
Other postemployment benefits	(970,258)

Some of the School 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.

991,747

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 51,367,378**

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Capital Projects Fund	Special Revenue Funds		Total Governmental Funds
			Capital Reserve Fund	Athletic Fund	
REVENUES					
Local sources	\$ 83,104,392	\$ 236,185	\$ 273,948	\$ 95,114	\$ 83,709,639
State sources	23,006,698	-	-	26,625	23,033,323
Federal sources	1,661,324	-	-	-	1,661,324
TOTAL REVENUES	<u>107,772,414</u>	<u>236,185</u>	<u>273,948</u>	<u>121,739</u>	<u>108,404,286</u>
EXPENDITURES					
Instruction	59,337,039	12,223	437,082	-	59,786,344
Support services	29,634,930	218,689	873,413	108	30,727,140
Operation of non-instructional services	265,193	-	-	834,781	1,099,974
Facilities acquisition, construction and improvement services	-	6,733,514	129,046	-	6,862,560
Debt service	14,184,097	403,416	-	-	14,587,513
TOTAL EXPENDITURES	<u>103,421,259</u>	<u>7,367,842</u>	<u>1,439,541</u>	<u>834,889</u>	<u>113,063,531</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,351,155</u>	<u>(7,131,657)</u>	<u>(1,165,593)</u>	<u>(713,150)</u>	<u>(4,659,245)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from refunding bonds	-	15,850,000	-	-	15,850,000
Payments to refunded bond escrow agent	-	(15,420,000)	-	-	(15,420,000)
Bond discount	-	(28,502)	-	-	(28,502)
Transfers in	-	-	3,516,793	711,512	4,228,305
Transfers out	(4,228,305)	-	-	-	(4,228,305)
Proceeds from sale of fixed assets	16,980	-	-	-	16,980
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,211,325)</u>	<u>401,498</u>	<u>3,516,793</u>	<u>711,512</u>	<u>418,478</u>
NET CHANGE IN FUND BALANCES	139,830	(6,730,159)	2,351,200	(1,638)	(4,240,767)
FUND BALANCES AT BEGINNING OF YEAR	<u>4,650,826</u>	<u>12,943,706</u>	<u>18,817,045</u>	<u>-</u>	<u>36,411,577</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 4,790,656</u>	<u>\$ 6,213,547</u>	<u>\$ 21,168,245</u>	<u>\$ (1,638)</u>	<u>\$ 32,170,810</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT

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

Year Ended June 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARD

\$ (4,240,767)

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$8,758,255) exceed depreciation (\$8,305,922) in the current period.

452,333

Deferred charges are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the term lives of debt instruments as amortization expense. This is the amount by which amortization and disposals exceed deferred charge outlays in the current period.

(97,687)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues decreased by this amount this year.

(492,529)

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.

22,987,230

New borrowings increase Governmental Funds balances; however, this is an increase to liabilities in the statement of net assets.

(15,850,000)

Bond premiums are reported in Governmental Funds as revenues; however, in the statement of activities, the revenues from bond premiums are allocated over the term lives of debt instruments as an offset to interest expense.

23,710

Bond discounts are reported in Governmental Funds as expenses; however, in the statement of activities, the expenses from bond discounts are allocated over the term lives of debt instruments as an increase to interest expense. This is the amount by which capital outlays exceed amortization in the current period.

542,562

SUBTOTAL ADJUSTMENTS FORWARD

\$ 7,565,619

PENNRIDGE SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(DEFICIT) TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS FORWARDED	\$ (4,240,767)
SUBTOTAL ADJUSTMENTS FORWARDED	7,565,619
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds:	
Accrued interest not reflected in Governmental Funds	51,068
In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used.	(603,948)
The Internal Service Fund is used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities.	<u>2,034,689</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>4,806,661</u></u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT**STATEMENT OF NET ASSETS****PROPRIETARY FUNDS***June 30, 2009*

	Enterprise Fund <u>Food Service Fund</u>	Internal Service Fund <u>Self- Insurance Fund</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 508,091	\$ 10,981,225
Due from other governments	94,140	-
Other receivables	16,184	77,058
Inventories	105,867	-
Prepaid expenses	-	57,541
Other assets	-	371,033
	<u>724,282</u>	<u>11,486,857</u>
TOTAL CURRENT ASSETS		
	<u>724,282</u>	<u>11,486,857</u>
CAPITAL ASSETS		
Machinery and equipment	1,896,028	-
Accumulated depreciation	(1,753,869)	-
TOTAL CAPITAL ASSETS	<u>142,159</u>	<u>-</u>
	<u>142,159</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 866,441</u>	<u>\$ 11,486,857</u>
	<u>\$ 866,441</u>	<u>\$ 11,486,857</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to other funds	\$ 123,514	\$ -
Accounts payable	3,829	3,011,258
Deferred revenue	-	41,565
	<u>127,343</u>	<u>3,052,823</u>
TOTAL CURRENT LIABILITIES		
	<u>127,343</u>	<u>3,052,823</u>
COMPENSATED ABSENCES	<u>36,184</u>	<u>-</u>
	<u>36,184</u>	<u>-</u>
NET ASSETS		
Invested in capital assets, net of related debt	142,159	-
Unrestricted	560,755	8,434,034
TOTAL NET ASSETS	<u>702,914</u>	<u>8,434,034</u>
	<u>702,914</u>	<u>8,434,034</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 866,441</u>	<u>\$ 11,486,857</u>
	<u>\$ 866,441</u>	<u>\$ 11,486,857</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	<u>Enterprise Fund Food Service Fund</u>	<u>Internal Service Fund Self- Insurance Fund</u>
OPERATING REVENUES		
Premiums transferred from General Fund	\$ -	\$ 9,136,525
Other reimbursements	-	695,707
Charges for services	1,862,826	-
Refund of prior year expenses	-	49,710
TOTAL OPERATING REVENUES	<u>1,862,826</u>	<u>9,881,942</u>
OPERATING EXPENSES		
Salaries	982,635	-
Employee benefits	237,284	7,979,243
Purchased professional and technical service	11,813	-
Purchased property service	16,131	-
Other purchased service	9,111	-
Supplies	1,069,653	-
Depreciation	91,849	-
Other operating expenses	4,274	-
TOTAL OPERATING EXPENSES	<u>2,422,750</u>	<u>7,979,243</u>
OPERATING INCOME (LOSS)	<u>(559,924)</u>	<u>1,902,699</u>
NONOPERATING REVENUES		
Earnings on investments	6,097	131,990
State sources	71,476	-
Federal sources	560,480	-
TOTAL NONOPERATING REVENUES	<u>638,053</u>	<u>131,990</u>
CHANGE IN NET ASSETS	78,129	2,034,689
NET ASSETS AT BEGINNING OF YEAR	<u>624,785</u>	<u>6,399,345</u>
NET ASSETS AT END OF YEAR	<u>\$ 702,914</u>	<u>\$ 8,434,034</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***Year Ended June 30, 2009*

	<u>Enterprise Fund Food Service Fund</u>	<u>Internal Service Fund Self- Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,863,249	\$ -
Cash transferred from General Fund for insurance premiums	-	9,140,705
Cash received from other reimbursements	-	653,301
Refund of prior year expenses	-	49,710
Payments to employees	(875,302)	-
Payments to suppliers	<u>(1,340,484)</u>	<u>(7,312,750)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(352,537)</u>	<u>2,530,966</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal sources	548,817	-
State sources	<u>71,816</u>	<u>-</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>620,633</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition, construction and improvements of capital assets	<u>(28,883)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>6,097</u>	<u>131,990</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	245,310	2,662,956
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>262,781</u>	<u>8,318,269</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 508,091</u>	<u>\$ 10,981,225</u>

PENNRIDGE SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS***Year Ended June 30, 2009*

	<u>Enterprise Fund Food Service Fund</u>	<u>Internal Service Fund Self- Insurance Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (559,924)	\$ 1,902,699
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	91,849	-
(Increase) decrease in		
Accounts receivable	423	-
Other receivables	-	(71,060)
Inventories	4,447	-
Prepaid expenses	-	38,549
Other assets	-	105,221
Increase (decrease) in		
Interfund balances	110,951	-
Accounts payable	3,335	561,272
Accrued compensated absences	(3,618)	-
Deferred insurance premiums	<u>-</u>	<u>(5,715)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(352,537)</u>	\$ <u>2,530,966</u>
SUPPLEMENTAL DISCLOSURES		
Noncash investing, capital and financing activities		
Change in medical plan reserve balance	\$ -	\$ (105,221)
Donated commodities	116,202	-

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 311,424
Investments	75,268
Other receivables	<u>24,655</u>
 TOTAL ASSETS	\$ <u>411,347</u>
LIABILITIES	
Due to other funds	\$ 2,200
Accounts payable	<u>409,147</u>
 TOTAL LIABILITIES	\$ <u>411,347</u>

See accompanying notes to the basic financial statements.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pennridge School Board is the basic level of government which has oversight responsibility and control over all activities related to public school education in the Pennridge School District (the "School District"). The School District encompasses an area of approximately 94 square miles in Upper Bucks County and operates under and pursuant to the Pennsylvania School Code and is classified as a School District of the Second Class under the code. The School District receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The School District is not included in any other governmental "reporting entity," as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, since Board members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary accountability for fiscal matters.

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its Proprietary Funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District, for financial reporting purposes, includes all of the funds and account groups relevant to operations of the seven elementary schools, two middle schools and two high schools comprising the School District. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Pennridge School District. The School District is not a component unit of another reporting entity nor does it have any component units.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School 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 Funds 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 School District and for each function or program of the School 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 School 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 School District.

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

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Fund Financial Statements - Fund financial statements report detailed information about the School 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. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 School 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, and claims and judgments 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 assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and improvements in accordance with the applicable general obligation bond agreements.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The School District's Capital Reserve Fund is accounted for in this fund type as required by Section 29432 of the Municipal Code. The School District's Athletic Fund is also accounted for in this fund type.

Capital Reserve Fund - The Capital Reserve Fund is used to accumulate funds for large capital purchases and for replacement of capital equipment in the instructional and administrative technology and student transportation departments.

Athletic Fund - The Athletic Fund accounts for resources raised and used in support of the interscholastic sports program.

PENNRIDGE SCHOOL DISTRICT
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Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by an activity to other departments, funds, or component units of the School District on a cost-reimbursement basis. Because the principal users of the internal services are the School District's governmental activities, the financial statements of the Internal Service Fund are consolidated into the governmental activities column when presented in the government-wide financial statements.

Self-Insurance Fund - The Self-Insurance Fund is used to account for all financial transactions related to the administration of the School District's self-insured health plans.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's Agency Funds include the Student Activities Fund and the Student Loan Fund.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

PENNRIDGE SCHOOL DISTRICT
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Investments

Statutes authorize the School District to invest in U.S. Treasury bills, time, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, or in certificates of deposit when they are secured by proper bond or collateral. Investments must be of a temporary nature. At June 30, 2009, the School District had investments in various certificates of deposit, Federal Agency securities, U.S. Treasury notes and trust accounts with the Pennsylvania Local Government Investment Trust and the Pennsylvania School District Liquid Asset Fund.

Pennsylvania Local Government Investment Trust Funds are invested in accordance with Section 440.1 of the School Code. Each school district owns a pro rata share of each investment or deposit which is held in the name of the fund.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. 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 their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at June 30, 2009, was in excess of the minimum requirements just described.

The School District has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB Statement No. 31, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the Governmental Funds and as nonoperating revenues/expenses in the Proprietary Funds.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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On the fund financial statements, short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the statement of net assets, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances are considered "available spendable resources."

Inventories and Prepaid Items

Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased.

Inventory of food and milk in the Food Service Fund consists of supplies purchased and donated commodities received from the federal government. The donated commodities are valued at their fair market value in accordance with the *Manual of Accounting for Pennsylvania School Systems - Food Service Fund*. Food and supplies are carried at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$5,000 or purchased with debt proceeds and must also have an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and building improvements	50
Furniture, equipment and vehicles	5-20

Deferred Revenue

Deferred revenue arises when assets are recognized before the revenue recognition criteria have been satisfied. Such is the case in the General Fund, where deferred revenue has been established to offset real estate tax receivables. Deferred revenue also arises when resources are received by the School District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met or when the School District has a legal claim to the resources, the liability for deferred revenue is removed from the Governmental Funds balance sheet and revenue is recognized.

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Types 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 issuance 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. 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 debt service expenditures.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The benefits are accrued when incurred in the government-wide, Proprietary and Fiduciary Funds financial statements. A liability for these amounts is reported in Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws and is in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*.

GASB Statement No. 45

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as *other postemployment benefits* or OPEB.

GASB Statement No. 45 generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they do for pensions. The annual OPEB cost for most employers is based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB Statement No. 45 are applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods.

Pennridge School District implemented GASB Statement No. 45 in the year ended June 30, 2009.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist 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 on the government-wide statements 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 or regulations of other governments.

The School District records reservations for portions of Governmental Funds balances which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation. Reservations of fund balance are established for capital projects and supplies inventory. Unreserved fund balance indicates the portion of fund balance which is available for appropriation in future periods.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2009, \$369,811 of the School District's bank balance of \$32,953,551 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>369,811</u>
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PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
State investment pools	\$ <u>22,857,957</u>	\$ <u>22,857,957</u>
Certificates of deposit	\$ <u>75,268</u>	\$ <u>75,268</u>

Credit Risk - State law permits the School District to invest funds in the following types of investments:

Obligations of (1) 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, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) 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.

The School District's investment policy does not further limit its investment choices. As of June 30, 2009, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's or AAA/VI+ by Fitch, Inc.

Concentration of Credit Risk - The following investments represent greater than 5% of the School District's total investments:

Certificates of deposit with Pennsylvania Local Government Investment Trust	\$ 14,158,605
Certificate of deposit with Pennsylvania School District Liquid Asset Fund	\$ 3,069,000

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE C TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District, as determined by Bucks County.

Tax rates for the School District for the year ended June 30, 2009, were as follows:

Real estate taxes.....	116.60 mills
Real estate transfer taxes.....	1%
Earned income tax	1.5%

In addition to the above taxes, the School District levies a \$52 local services tax.

Taxes are levied on July 1 and payable in the following periods:

Discount period	July 1 to August 30 - 2% of gross levy
Face period	August 31 to October 31
Penalty period	November 1 to December 31 - 10% of gross levy
Lien date.....	January 1

School District taxes are billed and collected by the local elected tax collectors. Property taxes attach as an enforceable lien on property as of July 1.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE D ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009, consisted of taxes, interest, other receivables and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Self- Insurance Fund</u>	<u>Agency Funds</u>
Real estate taxes	\$ 1,385,017	\$ -	\$ -	\$ -
Earned income taxes	453,491	-	-	-
Real estate transfer taxes	91,942	-	-	-
Due from other governments	1,187,626	94,140	-	-
Other receivables	<u>244,787</u>	<u>16,184</u>	<u>77,058</u>	<u>24,655</u>
	<u>\$ 3,362,863</u>	<u>\$ 110,324</u>	<u>\$ 77,058</u>	<u>\$ 24,655</u>

NOTE E INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from Other Funds

The composition of interfund balances as of June 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Student Activities Fund	\$ 2,200
General Fund	Athletic Fund	55,746
Capital Reserve Fund	General Fund	2,000,000
General Fund	Food Service Fund	<u>123,514</u>
		<u>\$ 2,181,460</u>

The amounts between the Student Activities Fund and the General Fund and between the Athletic Fund and the General Fund are interfund borrowings to pay for normal operating expenditures. The amounts between the General Fund and Food Service Fund are for payroll.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital Reserve Fund	General Fund	\$ 3,516,793
Athletic Fund	General Fund	711,512
		<u>\$ 4,228,305</u>

The School District typically transfers funds from the General Fund to the Athletic Fund to cover normal operating expenditures. In addition, the Board approves a transfer of excess fund balance above the subsequent year's budget from the General Fund to the Capital Reserve Fund.

NOTE F CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land and land improvements	\$ 950,176	\$ -	\$ -	\$ 950,176
Construction in progress	1,505,570	6,884,898	(7,940,380)	450,088
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>2,455,746</u>	<u>6,884,898</u>	<u>(7,940,380)</u>	<u>1,400,264</u>
Capital assets being depreciated				
Buildings and building improvements	184,995,911	8,069,427	-	193,065,338
Furniture, equipment and vehicles	16,577,043	1,744,310	(523,000)	17,798,353
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>201,572,954</u>	<u>9,813,737</u>	<u>(523,000)</u>	<u>210,863,691</u>
Accumulated depreciation	(42,573,771)	(8,305,922)	523,000	(50,356,693)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>158,999,183</u>	<u>1,507,815</u>	<u>-</u>	<u>160,506,998</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>161,454,929</u>	<u>8,392,713</u>	<u>(7,940,380)</u>	<u>161,907,262</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Furniture and equipment	1,867,145	28,883	-	1,896,028
Accumulated depreciation	(1,662,020)	(91,849)	-	(1,753,869)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>205,125</u>	<u>(62,966)</u>	<u>-</u>	<u>142,159</u>
CAPITAL ASSETS, net	<u>\$ 161,660,054</u>	<u>\$ 8,329,747</u>	<u>\$ (7,940,380)</u>	<u>\$ 162,049,421</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

The net book value of each capital asset category for governmental activities is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land and land improvements	\$ 950,176	\$ -	\$ 950,176
Construction in progress	450,088	-	450,088
CAPITAL ASSETS BEING DEPRECIATED			
Buildings and building improvements	193,065,338	(37,523,300)	155,542,038
Furniture, equipment and vehicles	<u>17,798,353</u>	<u>(12,833,393)</u>	<u>4,964,960</u>
	<u>\$ 212,263,955</u>	<u>\$ (50,356,693)</u>	<u>\$ 161,907,262</u>

NOTE G LEASES

The School District leases various photocopy machines and accessories under a noncancelable three-year operating lease that expires in December 2010. Total costs for such leases were \$328,266 for the year ended June 30, 2009. Future minimum rental payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 258,638
2011	<u>129,319</u>
	<u>\$ 387,957</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE H LONG-TERM DEBT

General Obligation Bonds and Notes

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year.

The School District issues general obligation bonds and notes to provide funds for acquisition and construction of major capital facilities and to refund previous debt issuances in order to obtain more favorable repayment terms. Due to favorable interest rates during the year, general obligation bonds totaling \$15,850,000 were issued to refund the School District's previously issued and outstanding general obligation bonds. Debt refunded included \$465,000 of the Series AA of 2001, \$4,975,000 of the Series AA of 2003 and \$9,980,000 of the Series of 2004. The issuances included a bond discount in the amount of \$684,742 and bond issue costs of \$237,467, which are amortized over the life of the related bonds. Under the escrow reserve agreement, the Escrow Fund is irrevocably pledged to the payment of principal and interest on the refunded bonds. As a result, the \$15,420,000 of the refunded obligations is considered defeased, and the liability for those bonds has been removed from the School District's financial statements. As a result of the refunding, the School District reduced its aggregate debt service payments to maturity by \$426,320 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$426,320.

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 7,529,560	\$ 4,095,541
2011	8,191,890	4,096,074
2012	8,429,220	3,840,754
2013	8,821,550	3,507,975
2014	9,258,880	3,315,654
2015 to 2019	52,212,650	13,456,146
2020 to 2024	41,039,490	6,328,544
2025 to 2029	<u>15,029,940</u>	<u>1,923,497</u>
	<u>\$ 150,513,180</u>	<u>\$ 40,564,185</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE I CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES							
General obligation bonds							
Series of 2001	February 14, 2009	4.15 to 5.50%	\$ 445,000	\$ -	\$ (445,000)	\$ -	\$ -
Series AA of 2001	February 15, 2010	2.50 to 4.00%	910,000	-	(910,000)	-	-
Series of 2003	February 15, 2026	3.05 to 5.25%	19,500,000	-	(940,000)	18,560,000	965,000
Series A of 2003	August 15, 2010	2.50 to 5.25%	6,230,000	-	(2,400,000)	3,830,000	3,065,000
Series AA of 2003	February 15, 2009	2.00 to 4.35%	4,980,000	-	(4,980,000)	-	-
Series of 2004	February 15, 2021	2.00 to 4.25%	9,985,000	-	(9,985,000)	-	-
Series of 2005	February 15, 2024	2.20 to 4.20%	9,080,000	-	(440,000)	8,640,000	450,000
Series of 2006	February 15, 2029	3.75 to 4.20%	9,990,000	-	(25,000)	9,965,000	5,000
Series of 2007	February 15, 2027	3.70 to 4.15%	9,975,000	-	(50,000)	9,925,000	50,000
Series A of 2007	January 1, 2012	3.75 to 4.50%	6,965,000	-	(170,000)	6,795,000	45,000
Series of 2008	February 15, 2029	3.50 to 4.13%	8,340,000	-	(230,000)	8,110,000	280,000
Series of 2009	February 15, 2021	2.50 to 4.00%	-	15,850,000	-	15,850,000	215,000
TOTAL GENERAL OBLIGATION BONDS			<u>86,400,000</u>	<u>15,850,000</u>	<u>(20,575,000)</u>	<u>81,675,000</u>	<u>5,075,000</u>
General obligation notes							
Series of 1999	February 1, 2018	Variable, currently 3.00%	3,750,000	-	(305,000)	3,445,000	305,000
Series of 2000	February 1, 2021	Variable, currently 3.00%	7,790,000	-	(435,000)	7,355,000	435,000
Series A of 2003	June 1, 2024	Variable, currently 2.90%	25,700,000	-	(100,000)	25,600,000	100,000
Series A of 2004	August 1, 2020	Variable, currently 2.90%	22,200,000	-	(1,500,000)	20,700,000	1,500,000
Series C of 2004	August 1, 2023	Variable, currently 2.90%	10,000,000	-	-	10,000,000	-
Series of 2005	November 15, 2025	3.00 to 4.60%	1,810,410	-	(72,230)	1,738,180	114,560
TOTAL GENERAL OBLIGATION NOTES			<u>71,250,410</u>	<u>-</u>	<u>(2,412,230)</u>	<u>68,838,180</u>	<u>2,454,560</u>
Compensated absences (Note M)			<u>2,381,352</u>	<u>-</u>	<u>(366,311)</u>	<u>2,015,041</u>	<u>-</u>
Other postemployment benefits (Note P)			<u>-</u>	<u>970,258</u>	<u>-</u>	<u>970,258</u>	<u>-</u>
Unamortized bond premium			<u>497,635</u>	<u>-</u>	<u>(23,710)</u>	<u>473,925</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES			<u>\$ 160,529,397</u>	<u>\$ 16,820,258</u>	<u>\$ (23,377,251)</u>	<u>\$ 153,972,404</u>	<u>\$ 7,529,560</u>
BUSINESS-TYPE ACTIVITIES							
Compensated absences (Note M)			<u>\$ 39,802</u>	<u>\$ -</u>	<u>\$ (3,618)</u>	<u>\$ 36,184</u>	<u>\$ -</u>

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE J INTEREST RATE SWAP

Objective

As a means to assist the School District in managing interest costs when compared against the School District's fixed-rate debt, the School District entered into an interest rate swap agreement (the "Swap") to take advantage of historically low interest rates without completing a refunding of any of its long-term debt.

Terms

The School District entered into the Swap Agreement with Deutsch Bank on October 15, 2005, that matures on August 14, 2014. The executed transaction is a nine-year amortizing fixed-to-floating interest rate swap. The notional amount of the swap is \$74,370,000. The School District pays the counterparty a fixed rate of 3.25%. The counterparty pays the School District a computed rate of 67% of the one-month London Interbank Offered Rate (LIBOR). The LIBOR was 3.16% as of June 30, 2009.

Fair Value

As of June 30, 2009, the Swap had a negative fair value of \$4,068,651. An interest rate swap is a financial instrument whose economic value will change over time. The economic value may be positive or negative, depending on interest rate movements after the initial trade date. The Swap's fair value was estimated by comparing the fixed rate set at the inception of the transaction and the "swap replacement rate," which represents the market rate for an offsetting interest rate swap with the same notional amount and final maturity date. The market value was then determined by calculating the present value interest differential between the contractual swap and the replacement swap.

Credit Risk

As of June 30, 2009, the School District was not exposed to credit risk because the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap become positive, the School District would be exposed to credit risk in the amount of the derivative's fair value. The counterparty was rated Aa1 by Moody's, AA- by Fitch and A+ by Standard & Poor's.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Termination Risk

The School District or the counterparty may terminate the Swap if the other party fails to perform under the terms of the agreement. If, at the time of termination, the Swap has a negative fair value, the School District would be liable to the counterparty for a payment equal to the Swap's negative fair value of \$4,068,651.

NOTE K DEFERRED REVENUE

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred revenue until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred revenue.

At June 30, 2009, General Fund deferred revenue consisted of delinquent taxes receivable of \$991,747, deferred grant revenues of \$16,851 and deferred summer school revenues of \$11,995.

NOTE L PENSIONS

School districts in the Commonwealth of Pennsylvania participate in a state administered pension program. Under the program, contributions are made by each of three parties--the School District, the state and the employee. All full-time employees of the School District and part-time employees who meet certain minimum employment requirements participate in the program.

The state matches the School District's contribution. The School District's contribution is made on a quarterly basis, and employee contributions are made on a monthly basis. The School District has no responsibility for operation and administration of the pension program. The employer and employee obligations to contribute are established by authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended).

A participant may retire with a normal retirement allowance at the age of 62 with one full year of service, age 60 with 30 or more years of service, or with 35 years of service regardless of age. The normal retirement allowance, paid monthly for life and then to beneficiaries if certain options are exercised, equals 2% of the average of the highest three years' earnings multiplied by the number of years of credited service.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Early retirement is permitted at age 55 or older with 25 years or more of credited service with a reduction of 3% per year of normal retirement benefits.

Plan Description

Name of Plan: Public School Employees' Retirement System (the "System").

Type of Plan: Governmental cost-sharing multiple-employer defined benefit plan.

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance to qualifying annuitants.

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535).

Annual Financial Report: The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, PO Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.pa.us/publications/cafr/index.htm.

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth.

Contribution Rates

Member Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) 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% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

- Members who joined the System after June 30, 2001, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Employer Contributions: Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2009, the rate of employer's contribution was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.00% for pension benefits and .76% for healthcare insurance premium assistance.

The School District's contribution to PSERS for the years ended June 30, 2009, 2008 and 2007, was \$2,685,750, \$3,667,680 and \$3,104,707, respectively, equal to the required contribution for each year.

NOTE M COMPENSATED ABSENCES

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Vacation compensation payable in future years, which was \$206,833 at June 30, 2009, is recorded in compensated absences on the statement of net assets.

Most School District employees are credited with a minimum of ten days of sick leave and two personal leave days annually to an unlimited maximum. Upon retirement or termination and after ten years of service to the School District, such employees are compensated for each day of accumulated sick leave. Rates of compensation and limits on accumulations are dependent on job classification. Sick leave compensation payable in future years, which was \$1,844,392 at June 30, 2009, is recorded in compensated absences on the statement of net assets.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE N COMMITMENTS AND CONTINGENCIES

There are a number of tax assessment appeals in the Court of Common Pleas of Montgomery County from the decisions of the Board of Assessment Appeals. Legal counsel for the School District cannot give an opinion on the outcome of these appeals nor can they reasonably estimate the financial impact, other than the claim mentioned below.

Based on court history, the School District expects to incur a loss from a tax assessment appeal filed by a local taxpayer. Taxes expected to be refunded include amounts collected for the years ended June 30, 2003 through 2009, totaling \$1,899,381. This liability has been accrued in the General Fund, with the June 30, 2009 refund amount of \$324,206 recorded as an offset against current year real estate tax revenues. The remaining \$1,575,175 was reported as a refund of prior year property taxes in the year ended June 30, 2008. The School District expects to pay the entire refund amount during the year ending June 30, 2010.

As of June 30, 2009, several suits and claims were in progress dealing with various subject matters (other than the Pennridge High School construction noted below). In these actions, indicated amounts are either not material or management is of the opinion that insurance coverage is adequate to cover the applicable claim. Management believes no adverse financial decisions of a material amount against the School District would result from these legal proceedings.

As required by law, the Board of School Directors set the elected tax collector's compensation for 2010, 2011, 2012 and 2013 on February 9, 2009. The tax collectors were not satisfied with the amount of compensation approved and initiated a preliminary injunction to restrict the School District from initiating the new compensation plan. The Bucks County Court of Common Pleas ruled that the resolution establishing the compensation is void and invalid. The Board of School Directors has agreed to appeal this decision to the Pennsylvania Commonwealth Court. Should the School District not prevail in the defense of this action, the School District would be required to compensate the tax collectors at a higher rate than anticipated in the upcoming year. This is not expected to have a material effect on the financial statements of the School District.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Additionally, the School District was involved in the construction of additions and renovations to the Pennridge High School. The project experienced delays in prior years. Claims have been filed against the School District for these delays, and the School District has subsequently filed counterclaims. The case is in the discovery phase, with trial tentatively scheduled for September 2010 and mediation scheduled on or before March 2010. In addition, subsequent to June 30, 2009, the School District has received claims from two other project contractors, based largely on actions and omissions of the original project contractor. The School District believes that there are strong defenses to the claims presented and intends to vigorously pursue such defenses and counterclaims. At this time, no estimate of probable loss or recovery can be made.

The School District receives federal, state and local funding under a number of programs. Payments made by those sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. The School District officials do not expect any significant adjustment as a result of these examinations. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

The School District is undertaking additions and improvements to several schools and other buildings. Pursuant to these projects, the School District has contracted with various professional service and construction contractors. At June 30, 2009, approximately \$4,000,000 in School Board approved project costs are expected to be incurred.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE O RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The School District is currently using the system of reimbursement financing to pay Pennsylvania unemployment compensation claims. Under this method, a liability occurs only when a former employee collects unemployment benefits. The School District must then reimburse the Commonwealth for these claims paid.

The School District is self-insured for its medical, dental and hospitalization benefits and prescription drug benefits. The monthly premium is revised annually in April for the upcoming fiscal year beginning July 1 and is based upon actual cost plus basis per third-party administrator.

NOTE P OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides medical, prescription drug, dental and vision insurance benefits to eligible retired employees, spouses and dependents through a single-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by School District board members and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

Funding Policy

The School District negotiates the contribution percentage between the School District and employees through union contracts and personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The School District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the School District.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Normal cost	\$ 368,854
Amortization of unfunded actuarial accrued liability	962,645
Interest	<u>16,598</u>
ANNUAL REQUIRED CONTRIBUTION (ARC)	1,348,097
Net OPEB contributions during the year	<u>(377,839)</u>
NET OPEB OBLIGATION AT END OF YEAR	\$ <u>970,258</u>

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ <u>1,348,097</u>	<u>28%</u>	\$ <u>970,258</u>

The year of implementation of GASB Statement No. 45 was June 30, 2009, and the School District has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

Funded Status and Funding Progress

As of July 1, 2008, the actuarial accrued liability for benefits was \$6,349,505, and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$45,319,427, and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 14.01%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress on page 60, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

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

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5% initially, reduced by decrements of .5% per year to an ultimate rate of 5.0% after eight years. Both rates included a 3.0% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008, was 30 years.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

NOTE Q DONATED COMMODITIES

The Food Service Fund contains inventories which consist of both food commodities donated by the federal government and other food and supply inventories. Donated commodities represent \$17,248 of the Proprietary Funds' inventory balance at June 30, 2009. These inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed as used.

REQUIRED SUPPLEMENTARY INFORMATION

PENNRIDGE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 82,466,640	\$ 82,466,640	\$ 83,104,392	\$ 637,752
State sources	23,742,154	23,742,154	23,006,698	(735,456)
Federal sources	1,230,000	1,230,000	1,661,324	431,324
TOTAL REVENUES	<u>107,438,794</u>	<u>107,438,794</u>	<u>107,772,414</u>	<u>333,620</u>
EXPENDITURES				
Instruction	60,827,278	60,827,278	59,337,039	1,490,239
Support services	30,751,162	30,751,162	29,634,930	1,116,232
Operation of non-instructional services	184,725	184,725	265,193	(80,468)
Debt service	13,882,923	13,882,923	14,184,097	(301,174)
TOTAL EXPENDITURES	<u>105,646,088</u>	<u>105,646,088</u>	<u>103,421,259</u>	<u>2,224,829</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,792,706</u>	<u>1,792,706</u>	<u>4,351,155</u>	<u>2,558,449</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,501,165)	(2,501,165)	(4,228,305)	(1,727,140)
Proceeds from sale of fixed assets	-	-	16,980	16,980
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,501,165)</u>	<u>(2,501,165)</u>	<u>(4,211,325)</u>	<u>(1,710,160)</u>
NET CHANGE IN FUND BALANCE	<u>(708,459)</u>	<u>(708,459)</u>	<u>139,830</u>	<u>848,289</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>4,650,826</u>	<u>4,650,826</u>	<u>4,650,826</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,942,367</u>	<u>\$ 3,942,367</u>	<u>\$ 4,790,656</u>	<u>\$ 848,289</u>

See accompanying note to the budgetary comparison schedule.

PENNRIDGE SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009

NOTE A BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Projects Fund. All transactions of this fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

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

1. Prior to March 1, the Business Administrator submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Funds.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

Included in the General Fund budget are program budgets as approved by the state and federal agencies funding the program. Program budgets normally cover fiscal periods different from the School District's. Therefore, for financial statement presentation, program budgets are adjusted, based on expenditures, to reflect a 12-month budget which corresponds to the School District.

PENNRIDGE SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN PENSION
FUNDING PROGRESS
Year Ended June 30, 2009

SCHEDULE OF FUNDING PROGRESS

Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b) - (a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a % of Covered Payroll (c)/(e)
July 1, 2008	\$ <u>-</u>	\$ <u>6,349,505</u>	\$ <u>6,349,505</u>	<u>0%</u>	\$ <u>45,319,427</u>	<u>14.01%</u>

SUPPLEMENTARY INFORMATION SECTION

PENNRIDGE SCHOOL DISTRICT
COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Agency Funds		
	Student Loan Fund	Student Activities Fund	Totals
ASSETS			
Cash and cash equivalents	\$ -	\$ 311,424	\$ 311,424
Investments	75,268	-	75,268
Other receivables	24,655	-	24,655
TOTAL ASSETS	\$ 99,923	\$ 311,424	\$ 411,347
LIABILITIES			
Due to other funds	\$ -	\$ 2,200	\$ 2,200
Accounts payable	99,923	309,224	409,147
TOTAL LIABILITIES	\$ 99,923	\$ 311,424	\$ 411,347



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

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pennridge School District, Perkasie, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the Pennridge School District, Perkasie, Pennsylvania's basic financial statements and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pennridge School District, Perkasie, Pennsylvania's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pennridge School District, Perkasie, Pennsylvania's financial statements that is more than inconsequential will not be prevented or detected by the Pennridge School District, Perkasie, Pennsylvania's internal control.

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pennridge School District, Perkasie, Pennsylvania'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Pennridge School District, Perkasie, Pennsylvania'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*.

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

Maillie Falconiero & Company, LLP

Oaks, Pennsylvania
December 14, 2009



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Independent Auditors' 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
Pennridge School District
Perkasie, Pennsylvania

COMPLIANCE

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pennridge School District, Perkasie, Pennsylvania'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 of the Pennridge School District, Perkasie, Pennsylvania's compliance with those requirements.

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

To the Board of School Directors
Pennridge School District
Perkasie, Pennsylvania

INTERNAL CONTROL OVER COMPLIANCE

The management of the Pennridge School District, Perkasie, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Pennridge School District, Perkasie, Pennsylvania'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 the Pennridge School District, Perkasie, Pennsylvania's internal control over compliance.

A *control deficiency* in a 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, the Commonwealth of Pennsylvania and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maile Falconero & Company, LLP

Oaks, Pennsylvania
December 14, 2009

**ADDITIONAL INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
U.S. DEPARTMENT OF EDUCATION										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	13-080328	July 1, 2007 to September 30, 2008	\$ 544,911	\$ 144,871	\$ 144,871	\$ -	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	13-090328	July 1, 2008 to September 30, 2009	463,173	370,538	-	424,201	424,201	53,663
Title II Improving Teacher Quality	I	84.367	20-080328	July 1, 2007 to September 30, 2008	203,364	67,788	48,921	18,867	18,867	-
Title II Improving Teacher Quality	I	84.367	20-090328	July 1, 2008 to September 30, 2009	200,633	160,506	-	194,170	194,170	33,664
Title III Language Instruction LEP/Immigrant Students	I	84.365	10-080328	July 1, 2007 to September 30, 2008	12,687	5,880	(1,368)	7,248	7,248	-
Title III Language Instruction LEP/Immigrant Students	I	84.365	10-090328	July 1, 2008 to September 30, 2009	19,861	7,639	-	3,034	3,034	(4,605)
Title V Innovative Education	I	84.298	11-080328	July 1, 2007 to September 30, 2008	6,802	3,628	(1,049)	4,677	4,677	-
Drug-Free Schools and Communities	I	84.186	100-080328	July 1, 2007 to September 30, 2008	20,009	12,406	(5,514)	17,920	17,920	-
Drug-Free Schools and Communities	I	84.186	100-090328	July 1, 2008 to September 30, 2009	17,425	10,723	-	270	270	(10,453)
Academic Achievement Award	I	84.367	077-080328	July 1, 2007 to September 30, 2008	12,456	1,779	1,016	636	636	(127)
Academic Achievement Award	I	84.367	077-090328	July 1, 2008 to September 30, 2009	5,000	1,667	-	-	-	(1,667)
Passed through the Midwestern Intermediate Unit IV										
Title I - Parent Involvement Mini-Grant	I	84.010		July 1, 2007 to June 30, 2008	500	172	-	172	172	-
Passed through the Allegheny Intermediate Unit										
IDEA - PaTTAN Inclusive Practices Mini-Grant	I	84.027		July 1, 2008 to June 30, 2009	7,829	-	-	7,725	7,725	7,725
SUBTOTAL FORWARD						<u>\$ 787,597</u>	<u>\$ 186,877</u>	<u>\$ 678,920</u>	<u>\$ 678,920</u>	<u>\$ 78,200</u>

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/ Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
U.S. DEPARTMENT OF EDUCATION										
SUBTOTAL FORWARDED						\$ 787,597	\$ 186,877	\$ 678,920	\$ 678,920	\$ 78,200
Passed through the Bucks County Schools										
Intermediate Unit No. 22										
IDEA	I	84.027		July 1, 2007 to September 30, 2008	\$ 1,164,232	349,270	349,270	-	-	-
IDEA	I	84.027		July 1, 2008 to September 30, 2009	1,209,122	853,807	-	1,209,122	1,209,122	355,315
TOTAL FORWARD						1,990,674	536,147	1,888,042	1,888,042	433,515
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimbursements (ACCESS) - Administrative Claiming Program	I	93.778		July 1, 2008 to June 30, 2009		21,180	-	21,180	21,180	-
TOTAL FORWARD						21,180	-	21,180	21,180	-
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	July 1, 2007 to June 30, 2008	N/A	59,443	59,443	-	-	-
National School Lunch Program	I	10.555	N/A	July 1, 2008 to June 30, 2009	N/A	313,151	-	381,044	381,044	67,893
National School Lunch Program	S	N/A	N/A	July 1, 2007 to June 30, 2008	N/A	11,593	11,593	-	-	-
National School Lunch Program	S	N/A	N/A	July 1, 2008 to June 30, 2009	N/A	53,061	-	64,121	64,121	11,060
School Breakfast Program	I	10.553	N/A	July 1, 2007 to June 30, 2008	N/A	10,367	10,367	-	-	-
School Breakfast Program	I	10.553	N/A	July 1, 2008 to June 30, 2009	N/A	49,656	-	63,234	63,234	13,578
School Breakfast Program	S	N/A	N/A	July 1, 2007 to June 30, 2008	N/A	1,414	1,414	-	-	-
SUBTOTAL FORWARD						\$ 498,685	\$ 82,817	\$ 508,399	\$ 508,399	\$ 92,531

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
U.S. DEPARTMENT OF EDUCATION										
TOTAL FORWARDED						\$ 1,990,674	\$ 536,147	\$ 1,888,042	\$ 1,888,042	\$ 433,515
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
TOTAL FORWARDED						21,180	-	21,180	21,180	-
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Education										
SUBTOTAL FORWARDED						498,685	82,817	508,399	508,399	92,531
School Breakfast Program	S	N/A	N/A	July 1, 2008 to June 30, 2009	N/A	5,747	-	7,355	7,355	1,608
Food Distribution - donated commodities	I	10.550	N/A	July 1, 2008 to June 30, 2009.	N/A	116,867 (a)	(16,583) (b)	116,202	116,202 (c)	(17,248) (d)
TOTAL U.S. DEPARTMENT OF AGRICULTURE						621,299	66,234	631,956	631,956	76,891
TOTAL EXPENDITURES						2,633,153	602,381	2,541,178	2,541,178	510,406
LESS STATE SHARE						(71,815)	(13,007)	(71,476)	(71,476)	(12,668)
TOTAL EXPENDITURES OF FEDERAL AWARDS						\$ 2,561,338	\$ 589,374	\$ 2,469,702	\$ 2,469,702	\$ 497,738

Source Codes:

D = Direct Funding
I = Indirect Funding
S = State Funding

Footnotes:

(a) Total amount of commodities received from the Department of Agriculture.
(b) Beginning inventory at July 1, 2008.
(c) Total amount of commodities used.
(d) Ending inventory at June 30, 2009.

See accompanying notes to the schedule of expenditures of federal and state awards.

PENNRIDGE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
Year Ended June 30, 2009

NOTE A ORGANIZATION AND SCOPE

The schedule of expenditures of federal and state awards is a listing of the total federal financial assistance received, both directly and/or indirectly, from the U.S. Departments of Education, Health and Human Services and Agriculture.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District uses the modified accrual basis of accounting to report federal, state and other grants. Revenues designated for payment of specified School District expenditures are recognized when the related expenditures are incurred. Any excess of receipts or expenditures at the fiscal year-end are recorded as deferred revenue or a receivable, respectively. The modified accrual basis of accounting is described in Note A to the financial statements.

Total assistance is valued at the sum of cash received and the value of U.S.D.A. donated commodities based upon the federal price list accompanying each shipment.

NOTE C PROGRAM OBJECTIVES

Title I Grants to Local Educational Agencies - To provide funding to local educational agencies (LEAs) to meet the special needs of educationally deprived children in attendance areas with high concentrations of children from low-income families.

National School Lunch Program - To (1) assist states through cash grants and donations in making lunch available to school children and (2) encourage the domestic consumption of agricultural commodities and other foods.

Food Distribution - To improve the diets of school children in need of food assistance and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

Title II Improving Teacher Quality - To upgrade the expertise of teachers and other school staff to enable them to teach all children to meet state content standards and to sustain high quality professional development focused on core academic subjects.

PENNRIDGE SCHOOL DISTRICT

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

Year Ended June 30, 2009

Title III Language Instruction LEP/Immigrant Students - Improve education of limited English proficient students and provide enhanced instructional opportunities for immigrant children and youths.

Title V Innovative Programs - To provide financial assistance in the areas of educational reform and effective schools.

PENNRIDGE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Pennridge School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Pennridge School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major awards programs for the Pennridge School District expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include:

<u>Program</u>	<u>CFDA</u>
Title I	84.010
Child Nutrition Cluster	
National School Lunch Program	10.555
School Breakfast Program (SBP)	10.553

8. The threshold used for distinguishing Types A and B programs was \$300,000.
9. Pennridge School District was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

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

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS