

DALLASTOWN AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2008

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
Management's Discussion and Analysis	3 - 26
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	27 - 28
Statement of Activities	29
Fund Financial Statements:	
Balance Sheet - Governmental Funds	30 - 31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	33 - 34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	36 - 37
Statement of Net Assets - Proprietary Fund - Food Service	38
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund - Food Service	39
Statement of Cash Flows - Proprietary Fund - Food Service	40
Statement of Fiduciary Assets and Liabilities	41
Notes to Financial Statements	42 - 66

CONTENTS (Continued)

SUPPLEMENTARY INFORMATION

Required Supplementary Information	67 - 74
Statement of Changes in Assets and Liabilities - Fiduciary Fund - Student Activities Agency Fund	75 - 76
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77 - 78
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	79 - 80
Schedule of Findings and Questioned Costs	81 - 82
Schedule of Expenditures of Federal Awards	83 - 87
Summary Schedule of Prior Year's Audit Findings	88

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Dallastown Area School District
Dallastown, 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 Dallastown Area School District, as of and for the year ended June 30, 2008, which collectively comprise the Dallastown Area School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dallastown Area School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

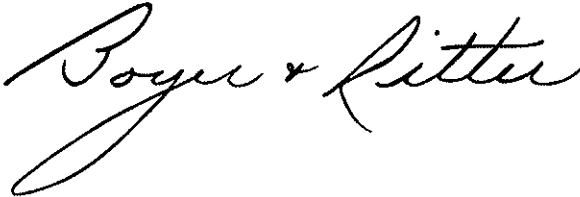
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Dallastown Area School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2008, on our consideration of Dallastown Area School District's internal control over financial reporting and 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.

Management’s Discussion and Analysis on pages 3 through 26 is not a required part of the basic financial statements but is supplementary information required by the 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 Dallastown Area School District’s basic financial statements. The Statement of Changes in Assets and Liabilities – Fiduciary Fund – Student Activities and the schedules of budget to actual revenues and other financing sources and expenditures and other financing used of the General Fund, listed in the table of contents as Required Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
November 6, 2008

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The Dallastown Area School District's discussion and analysis provides an overview of the District's financial performance for fiscal years ended on June 30, 2008 and June 30, 2007. The intent of Management's Discussion and Analysis (MDA) is to look at the School District's financial performance as a whole. Please read it in conjunction with the District's financial statements and notes to the financial statements, which immediately follow this section.

The Dallastown Area School District adopted GASB Statement No.34 for the fiscal year ended on June 30, 2003.

FINANCIAL HIGHLIGHTS

For the fiscal year ended on June 30, 2008, the Board of School Directors adopted a balanced General Fund Budget utilizing \$1.809 million of fund balance. The millage rate increased from 18.81 to 19.81. Based upon an average assessed value of a residential property at \$145 thousand, the one millage increase equated to a \$144 tax dollar increase per residential property per year. The actual results of operation show that a portion of the budgeted expenditures did not increase as anticipated, and revenues were 4% greater than budgeted.

At June 30, 2008, the School District's total net assets were \$47.212 million of which \$15.929 million was unrestricted and available to meet the School District's ongoing obligations to employees and creditors. This amount indicates the School District has a strong financial condition.

The District's total net assets increased \$7.329 million from \$39.883 million in 2007 to \$47.212 million in 2008.

At June 30, 2008, the unreserved and undesignated fund balance for the General Fund was \$8.797 million or 11.24% of general fund expenditures. Of the \$8.797 million, \$1.197 million and \$1 million were allocated to be utilized during 2009 and 2010 to assist in reducing the millage increases, thus, leaving 8.43% unreserved for future uses.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

USING THE ANNUAL FINANCIAL REPORT

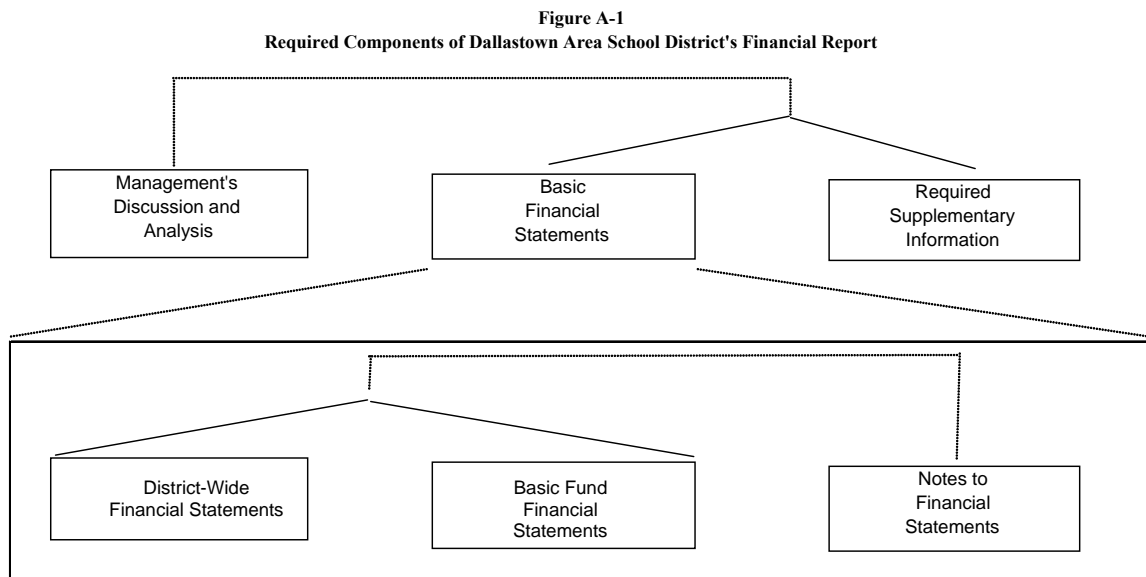
This annual report consists of three parts - Management's Discussion and Analysis, the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different perspectives of the District:

The first two basic financial statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining basic financial statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The governmental statements tell how general school district services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities the School District operates like a business. For Dallastown, this is the food service fund. Fiduciary fund statements provide information about financial relationships in which the School District acts solely as the trustee or agent for the benefit of others such as the Middle School and High School Student Activity Funds.

The financial statements also include notes that explain certain data in the statements and provide more comprehensive information.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one and other:



**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Figure A-2 summarizes the major features of the District's financial statements. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each statement.

Figure A-2
Major Features of
Dallastown Area School District's
District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects.	Activities the District operates similar to private businesses, such as food service.	Instances in which the District is the trustee or agent to someone else's resources - Student Activity Funds.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis & Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Types of assets/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Types of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's net assets and how they have changed. Net assets are the difference between the District's assets and liabilities and are considered one way to measure the District's financial health. The Statement of Activities accounts for all of the current year's revenues and expenses, regardless of whether the cash is received or paid.

- Over time, increases or decrease in the District's net assets are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and condition of school buildings and other facilities, should be considered.

In the District-wide financial statements, the District activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here such as regular, special and adult education, transportation, administration, and community services. Property taxes and state subsidies finance most of the activities that occur in the General Fund.
- *Business-type activities:* The District charges fees to help it cover the costs of the District's food service program.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by State law and by bond covenants. The District established other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like Federal grants).

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The District has three types of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can be readily converted to cash flows in and out and (2) how balances left at year-end are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on the Reconciliation of the Government Funds Balance Sheet to the Statement of Net Assets, as well as the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities. These reconciliations explain the relationships (or differences) between the respective statements.
- *Proprietary funds:* These funds are used to account for District activities that are similar to business operations in the private sector. When the District charges fees for services provided to customers, the services are usually reported as proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the district-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities fund. The District is responsible for ensuring that those to whom the assets belong use them only for their intended purposes. The District excludes these activities from the district-wide financial statements because they cannot use these assets to finance its operations.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$47.212 million at June 30, 2008, including \$46.837 million in Governmental Activities and \$395 thousand in Business Type Activities, an increase of \$7.329 million or 18% over fiscal year ended June 30, 2007.

**Figure A-3
Fiscal Years Ended June 30, 2008 and June 30, 2007
Net Assets**

	Governmental Activities		Business-Type Activities		Total School District	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Current and other assets	\$ 78,780,221	\$ 30,639,754	\$ 201,328	\$ 342,054	\$ 78,981,549	\$ 30,981,808
Capital assets	79,331,308	78,773,814	194,453	136,978	79,525,761	78,910,792
Total assets	\$ 158,111,529	\$ 109,413,568	\$ 395,781	\$ 479,032	\$ 158,507,310	\$ 109,892,600
Current and other liabilities	\$ 11,419,552	\$ 10,028,263	\$ 21,032	\$ 9,706	\$ 11,440,584	\$ 10,037,969
Noncurrent liabilities	99,855,186	59,971,133	-	-	99,855,186	59,971,133
Total liabilities	111,274,738	69,999,396	21,032	9,706	111,295,770	70,009,102
Investment in Capital assets (net of related debt)	31,087,931	28,384,087	194,453	136,978	31,282,384	28,521,065
Unrestricted	15,748,860	11,030,085	180,296	332,348	15,929,156	11,362,433
Total net assets	46,836,791	39,414,172	374,749	469,326	47,211,540	39,883,498
Total liabilities and net assets	\$ 158,111,529	\$ 109,413,568	\$ 395,781	\$ 479,032	\$ 158,507,310	\$ 109,892,600

During fiscal year 2008, the total assets increased 44% over fiscal year 2007. The majority of this increase is a 175% increase in cash and investments over 2007, from \$27.128 million to \$74.657 million. This is due to the issuance of General Obligation Bonds, Series 2008. \$38.475 million of the new series was used to redeem the 1998 and 2000 series and the remaining \$44.280 is to be used to finance the Intermediate School. On the liabilities side of the Statement of Net Assets, the long-term debt, which comprises 94% of total liabilities, had the offsetting increase, 62% over 2007. Long term debt was 92% of total liabilities in fiscal year 2007.

98% of current assets are comprised of cash, state subsidies receivable and property taxes receivable. Cash represents 95% the current assets, state subsidies is 2% and property taxes receivable is 1%.

Capital assets, which consist of the District's land, buildings, building improvements, furniture and equipment, and construction-in-progress, represent 49% and 72% of the total assets in fiscal years 2008 and 2007, respectively. The decrease in the percentage of capital assets is due to the overall increase of total assets; total assets increased due to cash holdings at year-end.

The results of this year's operations as a whole are reported in the Statement of Activities. 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 School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the basic education subsidy provided by the Commonwealth of Pennsylvania.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Figure A-4 takes the information from the Statement of Activities and rearranges it slightly in an effort to show the reader the District's total revenues and expenses for the year.

**Figure A-4
Fiscal Years Ended June 30, 2008 and June 30, 2007
Change in Net Assets**

	Governmental Activities		Business-Type Activities		District Total	
	6/30/2008	6/30/2007	6/30/2008	6/30/2007	6/30/2008	6/30/2007
Revenues						
Program revenues						
Charges for services	\$ 363,792	\$ 329,915	\$ 1,894,351	\$ 1,800,338	\$ 2,258,143	\$ 2,130,253
Operating grants and contributions	9,878,121	9,019,248	784,279	699,662	10,662,400	9,718,910
General revenues						
Property taxes	53,933,592	51,032,863	-	-	53,933,592	51,032,863
Other taxes	6,410,146	6,068,470	-	-	6,410,146	6,068,470
Grants, subsidies and contributions not restricted	7,654,609	7,505,613	-	-	7,654,609	7,505,613
Investment earnings	2,120,800	2,251,960	9,958	22,153	2,130,758	2,274,113
Miscellaneous income	66,727	16,506	3,208	200	69,935	16,706
Total revenues	80,427,787	76,224,575	2,691,796	2,522,353	83,119,583	78,746,928
Expenses						
Instruction	48,404,997	45,539,366	-	-	48,404,997	45,539,366
Instructional student support	5,195,389	4,813,271	-	-	5,195,389	4,813,271
Administrative and financial support	6,188,731	5,860,659	-	-	6,188,731	5,860,659
Operation and maintenance of plant	5,495,986	5,250,511	-	-	5,495,986	5,250,511
Pupil transportation	3,057,655	2,761,395	-	-	3,057,655	2,761,395
Student activities	1,392,076	1,346,380	-	-	1,392,076	1,346,380
Community services	87,516	83,311	-	-	87,516	83,311
Interest on long-term debt	3,182,818	3,062,133	-	-	3,182,818	3,062,133
Food service	-	-	2,786,373	2,440,732	2,786,373	2,440,732
Total expenses	73,005,168	68,717,026	2,786,373	2,440,732	75,791,541	71,157,758
Increase (decrease) in net assets	7,422,619	7,507,549	(94,577)	81,621	7,328,042	7,589,170
Net assets - beginning - as originally stated	39,414,172	31,689,535	469,326	403,530	39,883,498	32,093,065
Prior period adjustments	-	217,088	-	(15,825)	-	201,263
Net assets-beginning-as restated	-	31,906,623	-	387,705	-	32,294,328
Net assets - ending	\$ 46,836,791	\$ 39,414,172	\$ 374,749	\$ 469,326	\$ 47,211,540	\$ 39,883,498

The majority of the \$4.203 million or 6% increase in governmental revenues from fiscal year 2007 to 2008 was due to an increase in current and delinquent property tax revenue, a 5% increase in the special education subsidy and an increase in the state share of retirement contributions received by the District.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The majority of the \$4.288 million or 6% increase in expenses from fiscal years 2007 to 2008 can be attributed to an increase in four categories: instruction, instructional student support, administrative and financial support and pupil transportation.

Figure A-5 below presents the expenses of both the Governmental Activities and the Business-Type Activities of the District. Figure A-5 shows the District's eight largest functions – instruction, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community services and interest on long-term debt as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Figure A-5
Fiscal Years Ended June 30, 2008 and June 30, 2007
Governmental Activities**

Functions/Programs	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 48,404,997	\$ 41,033,219	\$ 45,539,366	\$ 39,385,678
Instructional student support	5,195,389	4,797,201	4,813,271	4,475,925
Administrative and financial support	6,188,731	5,916,293	5,860,659	5,666,577
Operation and maintenance of plant	5,495,986	5,438,441	5,250,511	5,075,987
Pupil transportation	3,057,655	2,004,783	2,761,395	1,643,421
Student activities	1,392,076	1,100,963	1,346,380	1,183,214
Community services	87,516	41,795	83,311	38,881
Interest on long-term debt	3,182,818	2,430,820	3,062,133	1,898,180
Total Governmental Activities	\$ 73,005,168	62,763,515	\$ 68,717,026	59,367,863
Less:				
Unrestricted grants, subsidies		<u>7,654,609</u>		<u>7,505,613</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 55,108,906</u>		<u>\$ 51,862,250</u>

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Figure A-6 reflects the activities of the Food Service Fund, the only business-type activity of the District.

**Figure A-6
Fiscal Years Ended June 30, 2008 and June 30, 2007
Business-Type Activities**

Functions/Programs	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food Service	\$ 2,786,373	\$ (107,743)	\$ 2,440,732	\$ 59,268
Less:				
Investment Earnings and Miscellaneous Revenue		13,166		22,353
Change in net assets		<u>\$ (94,577)</u>		<u>\$ 81,621</u>

Revenues of the District's business-type activities (food and nutrition services) were comprised of charges for services, Federal and state reimbursements and investment earnings.

Business-type activity expenses exceeded revenues by \$95 thousand in fiscal year 2008 and revenues exceeded expenses by \$81 thousand in 2007, a change of 216%. During fiscal year 2008, operating expenses increased \$346 thousand or 4% over 2007; revenues increased \$169 thousand or 7%.

The majority of the expense increase can be attributed to a 12% or \$101 thousand increase in salaries, as well as, a \$171 thousand or 14% increase in food costs.

The majority of the revenue increase is due to a \$94 thousand or 5% increase in charges for services which is due to the increase in meals sales as noted below. The remaining increase is due to \$63 thousand or 11% increase in Federal subsidy reimbursements from the breakfast and lunch programs.

Charges for services represent \$1.894 million and \$1.800 million in fiscal years 2008 and 2007, respectively. Charges represent 70% and 71% of revenue, respectively. This represents the amount paid by students and District personnel for daily food service, including breakfast, lunch, beverages, a la carte purchases and catering services.

Federal reimbursement for meals, including payment for free and reduced lunches, was \$618 thousand and \$428 thousand for fiscal years 2008 and 2007, respectively. State reimbursement for meals, including payment for free and reduced lunches, was \$101 thousand and \$89 thousand. Federal and state reimbursement for meals increased 15% over fiscal year 2007.

During fiscal year 2008, the District served 712,018 (National School Lunch Program) NSLP meals, which is a 5% increase over the 676,851 NSLP meals served during fiscal year 2007. Of the meals served in 2008, 12% were free meals, 6% were at reduced prices and 82% were at full price.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The District also served 78,669 National School Breakfast Program (NSBP) meals, which is a 4% increase from the 75,646 NSBP meals served during 2007. Of the meals served in 2008, 36% were free meals, 11% were at reduced prices and 53% were at full price.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on relatively short-term cash flow and future basic services. Such information is useful in assessing the Dallastown Area School District financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of a year.

As of June 30, 2008, the District's governmental funds reported a combined fund balance of \$70.458 million, which is an increase of \$46.908 million over fiscal year 2007. Refer to Figure A-7 for a breakdown of governmental fund balances and the total change from fiscal year 2007 to 2008.

**Figure A-7
Fiscal Years Ended June 30, 2008 and June 30, 2007
Fund Balances**

	2008	2007	\$ Change	% Change
General Fund - unreserved, undesignated	\$ 8,797,476	\$ 8,079,482	\$ 717,994	9%
General Fund - unreserved, designated	3,371,834	2,737,231	634,603	23%
Athletic Fund - unreserved, designated	58,945	32,205	26,740	83%
Capital Projects Fund - unreserved, designated	55,757,534	12,406,470	43,351,064	349%
Capital Reserve Fund - unreserved, designated	2,472,618	294,995	2,177,623	738%
Total	\$ 70,458,407	\$ 23,550,383	\$ 46,908,024	199%

The general fund is the main operating fund of the Dallastown Area School District. For fiscal year end 2008, the fund balance of the general fund was \$12.169 million as compared to \$10.817 million for fiscal year 2007, a \$1.352 million dollar or 13% increase.

Of the \$12.169 fund balance, \$3.372 million is unreserved-designated and \$8.797 million is unreserved-undesignated. For planning purposes, a part of a District's fund balance was designated. This designation is established to reflect tentative plans for future use of the funds. For 2008, the Board of School Directors designated an additional \$39 thousand from a retro-dental settlement for a total of \$296 thousand for future healthcare costs; they also designated \$550 thousand to be transferred to the capital reserve fund for future capital projects and \$950 thousand to assist in offsetting the debt-service increase, and \$1.576 million to off-set the termination of the SWAP agreements.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Of the \$8.797 million dollar unreserved-undesignated fund balance, \$1.197 million and \$1 million were allocated to be utilized during fiscal years 2009 and 2010, respectively, to assist in reducing the millage increases; therefore, going into fiscal year 2009, the \$6.600 million of undesignated funds represents 8% of the budgeted expenditures of \$82.501 million.

Overall revenues in the general fund were \$79.649 and \$74.503 million in fiscal years 2008 and 2007, respectively. Revenues increased \$5.146 million or 7% over last year. Refer to Figure A-8 below for distribution of General Fund Revenues.

**Figure A-8
Fiscal Years Ended June 30, 2008 and June 30, 2007
Comparison of General Fund Revenues**

	2008	2007	\$ Change	% Change
Local Revenues	\$ 62,903,397	\$ 58,761,037	\$ 4,142,360	7.05%
State Revenues	16,135,751	15,200,480	935,271	6.15%
Federal Revenues	582,123	521,086	61,037	11.71%
Other Financing Sources	27,933	20,040	7,893	39.39%
	<u>\$ 79,649,204</u>	<u>\$ 74,502,643</u>	<u>\$ 5,146,561</u>	<u>6.91%</u>

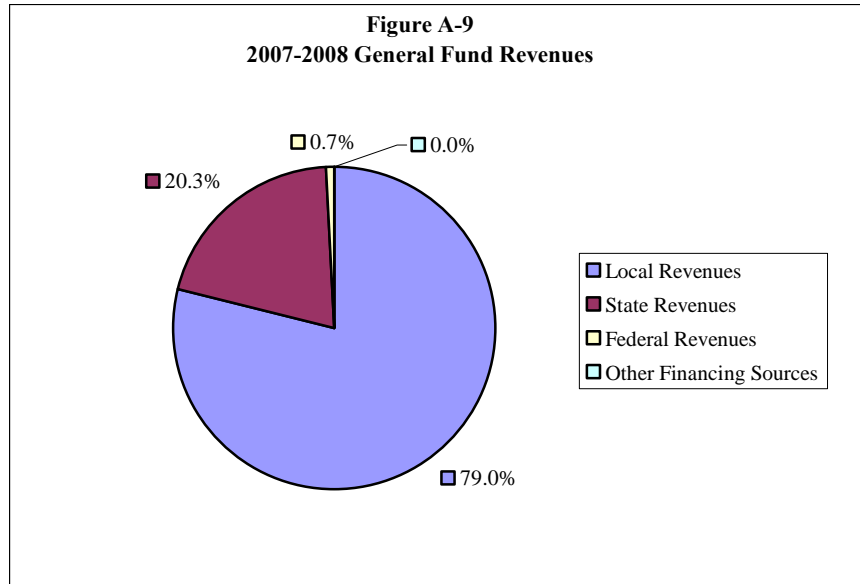
The majority of the 7% increase in revenues from fiscal year ended 2007 to 2008 can be credited to the following:

- \$4.089 million or 9% increase in regular real estate tax revenue
- \$877 thousand or 91% increase in delinquent taxes
- \$748 thousand or 78% increase in state retirement reimbursement

The above revenue increase was offset by a \$590 thousand or 38% decrease in interim real estate taxes.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Figure A-9 below details the percentage of each revenue category the general fund receives. The largest source of revenue is real estate taxes which are 86% of local sources and 68% of total revenue.



Total expenditures from the General fund were \$78.297 and \$70.026 million in fiscal years 2008 and 2007, respectively. 2008 expenditures increased \$8.271 million, or 12%.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Refer to Figure A-10 below for distribution of expenses by program type and the change from 2007.

**Figure A-10
Fiscal Years Ended June 30, 2008 and June 30, 2007
Comparison of General Fund Expenditures**

	2008	2007	\$ Change	% Change
Instructional	\$ 47,015,944	\$ 43,719,865	\$ 3,296,080	7.54%
Support services	19,278,494	18,008,599	1,269,895	7.05%
Operation of noninstructional services	1,253,907	1,202,346	51,561	4.29%
Capital outlay	596,411	206,198	390,213	189.24%
Debt service	7,508,017	6,712,062	795,955	11.86%
Other financing uses	2,643,834	176,827	2,467,007	1395.15%
	<u>\$ 78,296,607</u>	<u>\$ 70,025,897</u>	<u>\$ 8,270,711</u>	<u>11.81%</u>

Figure A-11 displays a comparison of expenditures by major object.

**Figure A-11
Fiscal Years Ended June 30, 2008 and June 30, 2007
Comparison of General Fund Expenditures by Major Object**

	2008	2007	\$ Change	% Change
100 Salaries	\$ 39,344,289	\$ 36,871,458	\$ 2,472,831	6.71%
200 Benefits	11,308,564	10,573,877	734,687	6.95%
300 Purchased Prof. & Tech Services	4,226,786	3,921,456	305,329	7.79%
400 Purchased Property Services	2,034,441	1,924,509	109,932	5.71%
500 Other Purchased Services	6,204,125	5,903,256	300,869	5.10%
600 Supplies	2,911,411	3,036,057	(124,646)	-4.11%
700 Equipment	1,874,971	738,282	1,136,689	153.96%
800 Other Objects	3,201,857	3,018,944	182,913	6.06%
900 Other Uses of Funds	7,190,164	4,038,057	3,152,107	78.06%
	<u>\$ 78,296,607</u>	<u>\$ 70,025,897</u>	<u>\$ 8,270,711</u>	<u>11.81%</u>

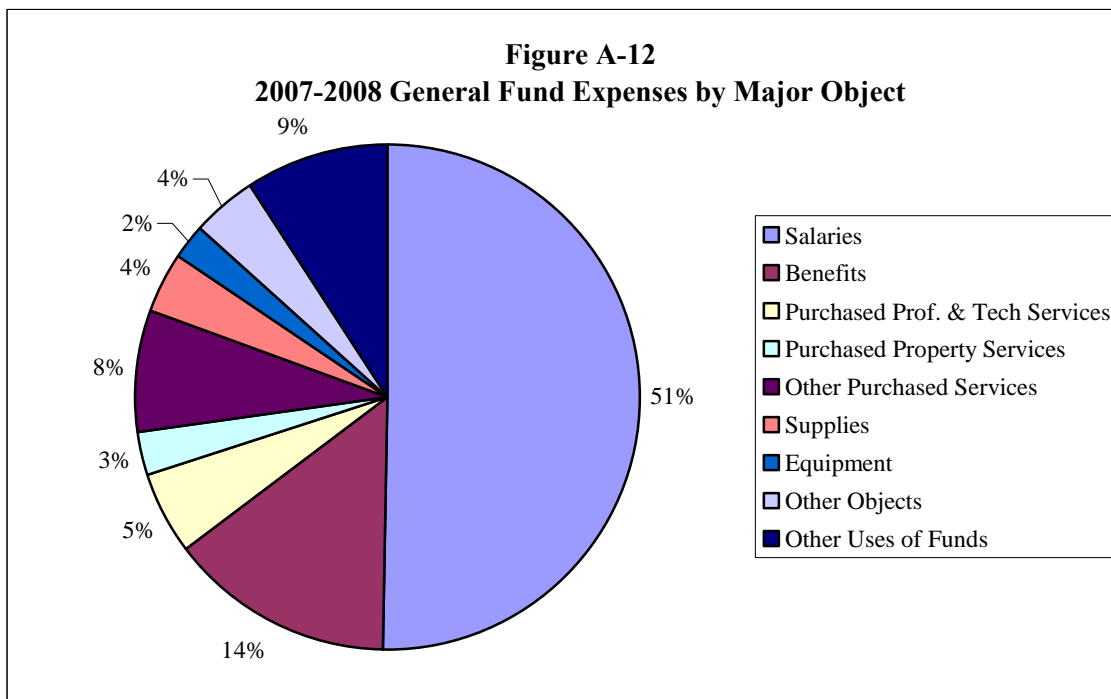
The majority of the 12% increase in expenditures from fiscal year 2007 to 2008 can be credited to:

- \$2.473 million in salaries due to additional staff hired and negotiated raises.
- \$518 thousand or a 10% increase in the District's share of social security and retirement benefits, which is due to applicable increases in salaries, and the increase in the retirement rate from 6.46% in 2007 to 7.13% in 2008.
- \$346 thousand in unanticipated Classrooms of the Future Grant expenses due to budget and state award timelines. The applicable unanticipated revenue was received as well.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

- \$404 thousand in the 4000 series (construction and improvement) to upgrade the uninterrupted power supply in the District server room; install a security system with cameras at the Middle School and High School and renovate the energy management system at the High School.
- \$133 thousand additional in technology equipment for the elementary classrooms. These increased purchases were for laptops, laptop carts and smart boards.
- \$640 thousand of additional debt-service principal payments on the general obligation bonds.
- \$2.480 million capital reserve designation was authorized during fiscal year 2007 and transferred during fiscal year 2008.

Figure A-12 displays the percentage make-up of each major object. Since the District is a service organization, salaries and benefits comprise 65% of all expenditures.



The Capital Projects Fund had a total fund balance of \$55.758 million for fiscal year 2008 and \$12.406 million for fiscal year 2007, all of which is designated for continuing costs related to the construction projects and the new Intermediate School.

The significant increase in fund balance is due to the issuance of the General Obligation Bonds, Series 2008.

Refer to Figures A-13 and A-14 for a balance sheet and a statement of revenues, expenses and changes in fund balance comparison from fiscal year 2007 to 2008.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

**Figure A-13
Fiscal Years Ended June 30, 2008 and June 30, 2007
Capital Projects Balance Sheet**

	6/30/2008	6/30/2007
Cash and Cash equivalents	\$ 8,772,970	\$ 12,406,017
Investments	46,988,404	-
Due from other funds	18,558	4,743
Total assets	\$ 55,779,932	\$ 12,410,760
Accounts Payable	\$ 22,398	\$ 4,290
Total liabilities	22,398	4,290
Unreserved, Designated	55,757,534	12,406,470
Total fund balance	55,757,534	12,406,470
Total liabilities and fund balance	\$ 55,779,932	\$ 12,410,760

**Figure A-14
Fiscal Years Ended June 30, 2008 and June 30, 2007
Statement of Revenues, Expenses and Changes in Fund Balance - Capital Projects Fund**

	6/30/2008	6/30/2007
Revenues		
Local Sources (Interest income)	\$ 741,631	\$ 760,032
Total revenues	741,631	760,032
Expenditures		
Instructional	-	314
Support services	1,349,480	4,100
Capital outlay	321,087	3,335,640
Debt Service	38,475,000	-
Total expenditures	40,145,567	3,340,054
Other Financing Sources (Uses)		
Proceeds from Issuance of long term debt	82,755,000	-
Total other financing sources (uses)	82,755,000	-
Net changes in fund balance	43,351,064	(2,580,022)
Fund Balances:		
July 1, 2007 and 2006	12,406,470	14,986,492
June 30, 2008 and 2007	\$ 55,757,534	\$ 12,406,470

Refer to page 23, long-term debt, for additional details regarding the new issuance.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The Capital Reserve Fund had a total fund balance of \$2.473 million for fiscal year 2008 and \$295 thousand for fiscal year 2007, all of which is designated for ongoing capital projects. The significant increase is due to the designation for future capital projects that was authorized during 2006 and transferred during 2007. During 2009, the District plans to complete the following projects through the Capital Reserve Fund: renovations of the boiler at High School and Middle School, construction of a salt and cinder storage building, construction of the athletic storage building, irrigation of the District's soccer field, replacement of the seating in the High School auditorium, re-sodding the stadium field, updating the card access system at the secondary campus, replacing stair treads on the secondary campus, replacing the energy system at York Township Elementary and replacing the roof at Ore Valley Elementary. It is estimated these projects will cost approximately \$1.264 million.

Refer to Figures A-15 and A-16 for a balance sheet and a statement of revenues, expenses and changes in fund balance comparison from fiscal year 2007 to 2008.

**Figure A-15
Fiscal Years Ended June 30, 2008 and June 30, 2007
Capital Reserve Balance Sheet**

	6/30/2008	6/30/2007
Cash and Cash equivalents	\$ 2,555,132	\$ 313,682
Due from other funds	191	-
Total assets	\$ 2,555,323	\$ 313,682
Accounts Payable	\$ 82,705	\$ 18,687
Total liabilities	82,705	18,687
Unreserved, Designated	2,472,618	294,995
Total fund balance	2,472,618	294,995
Total liabilities and fund balance	\$ 2,555,323	\$ 313,682

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Figure A-16

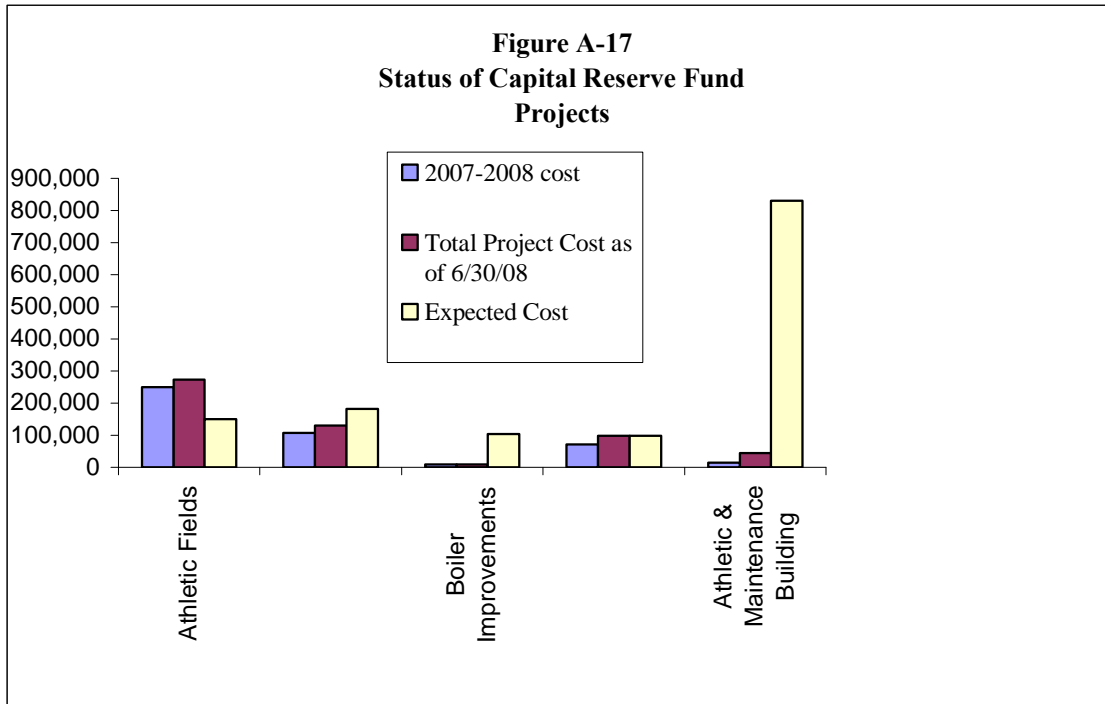
Fiscal Years Ended June 30, 2008 and June 30, 2007

Statement of Revenues, Expenses and Changes in Fund Balance - Capital Reserve Fund

	6/30/2008	6/30/2007
Revenues		
Local Sources (Interest income)	\$ 48,681	\$ 16,290
Total revenues	48,681	16,290
Expenditures		
Capital outlay	451,480	59,932
Total expenditures	451,480	59,932
Other Financing Sources (Uses)		
Operating Transfers In	2,580,422	115,900
Total other financing sources (uses)	2,580,422	115,900
Net changes in fund balance	2,177,623	72,258
Fund Balances:		
July 1, 2007 and 2006	294,995	222,737
June 30, 2008 and 2007	\$ 2,472,618	\$ 294,995

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Refer to Figure A-17 for a status of the current capital projects as of the fiscal year 2008.



The Athletic Fund has a total fund balance of \$59 thousand for fiscal year 2008 and \$32 thousand for fiscal year 2007, all of which is designated for athletic events.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Dallastown Area School District's fiscal year 2008 original budget anticipated that expenses would equal revenues, with a \$1.809 million dollar utilization of fund balance. The actual results for the year were revenues exceeded budget by \$3.076 million, and expenses were less than budget by \$85 thousand for a total addition to fund balance of \$1.353 million.

Refer to Figure A-18 for a comparison of Budget to Actual by revenue source type.

**Figure A-18
Fiscal Year Ended June 30, 2008
Comparison of General Fund Revenues - Budget to Actual**

	Budget	Actual	\$ Change	% Change
Local Revenues	\$ 60,777,546	\$ 62,903,397	\$ 2,125,851	3.38%
State Revenues	15,265,614	16,135,751	870,137	5.39%
Federal Revenues	523,600	582,123	58,523	10.05%
Other Financing Sources	6,000	27,933	21,933	78.52%
Total	\$ 76,572,760	\$ 79,649,204	\$ 3,076,444	3.86%

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

In fiscal year 2008, total actual-to-budgeted revenues were \$3.076 million more than expected primarily due to the following:

- Delinquent real estate tax revenues were \$829K more than budgeted. This was due to the decreased regular real estate tax collection percentage the District has seen over the previous three years. The regular real estate tax collection trend decreased from 97.9% during fiscal year 2005 to 96% and 96.1% in fiscal years 2006 and 2007 with a continued decrease in fiscal year 2008 to 95.8%. The decrease in regular tax collections over the last few years has spawned an increase in delinquent taxes. The District has seen a 154% increase in delinquent tax collections since fiscal year 2006.
- The District also realized \$630 thousand more in interest earnings due to market conditions. The District conservatively budgeted interest earnings based on expected interest rate trends due to the reduction of the Federal funds rate.
- Delinquent earned income taxes being \$402 thousand more than budget due to additional funds received from the calendar 2006 tax year.
- Unanticipated Classrooms of the Future Grant revenue of \$346 thousand due to budget and state award timelines.
- \$345 thousand more in state retirement expense reimbursement.

Refer to Figure A-19 for a comparison of Budget to Actual by major object.

**Figure A-19
Fiscal Year Ended June 30, 2008
Comparison of General Fund Expenditures by Major Object - Original Budget to Actual**

		Budget	Actual	\$ Change	% Change
100	Salaries	\$ 39,568,633	\$ 39,344,289	\$ (224,344)	-0.57%
200	Benefits	11,710,959	11,308,564	(402,395)	-3.44%
300	Purchased Prof. and Tech Services	3,878,250	4,226,786	348,536	8.99%
400	Purchased Property Services	2,468,250	2,034,441	(433,809)	-17.58%
500	Other Purchased Services	6,236,550	6,204,125	(32,425)	-0.52%
600	Supplies	2,827,050	2,911,411	84,361	2.98%
700	Equipment	1,818,500	1,874,971	56,471	3.11%
800	Other Objects	5,280,164	3,201,857	(2,078,307)	-39.36%
900	Other Uses of Funds	4,593,350	7,190,164	2,596,814	56.53%
		<u>\$ 78,381,706</u>	<u>\$ 78,296,607</u>	<u>\$ (85,099)</u>	<u>-0.11%</u>

The actual expenses were \$85 thousand less than budgeted in fiscal year 2008 due to the following:

- The leasing of copier equipment was \$123 thousand less than budgeted due to increased efficiency.
- Spending \$90 thousand less than budgeted in the 4000 series (construction and improvement).

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

- Other administration fees being 25% less than budgeted and interest paid on the general obligation bonds being \$1.960 million less than budgeted. These were both due to timing of the issuance of the General Obligation Bonds, Series 2008. Liquidity fees for all of 2008 were budgeted; however, the 2008 bonds were not issued until May.
- Lincoln Intermediate Unit (LIU) costs being \$508 thousand or 17% over budget. Of the \$508 thousand, 35% is due to alternative education LIU costs, 52% is due to the program instructional costs and the 13% is due to additional medical services.
- School Plant repairs and maintenance being \$211 thousand or 44% less than budgeted due to utilizing District staff for projects rather than outside vendors.
- The interest-rate savings was offset by the \$2.480 million capital reserve designation that was authorized during fiscal year 2007 and transferred during fiscal year 2008.
- Transportation costs being 12% over budget due to the rising fuel costs and transporting kids 182 days during fiscal year 2008 versus 174 days during fiscal year 2007.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

During fiscal years 2008 and 2007, the Dallastown Area School District invested \$77.891 million and \$78.558 million (net of accumulated depreciation) in capital assets including land, buildings and improvements, furniture and equipment and construction-in-progress. Refer to Figure A-20 for a comparison of fiscal years 2008 and 2007.

**Figure A-20
Fiscal Years Ended June 30, 2008 and June 30, 2007
Capital Assets (net of depreciation)**

	2008	2007	Change
Governmental Activities			
Land	\$ 4,310,857	\$ 4,310,857	\$ -
Buildings and building improvements	63,610,947	64,659,740	(1,048,793)
Furniture and equipment	5,986,744	6,271,293	(284,549)
Construction-in-progress	3,981,516	3,315,163	666,353
Total governmental activities - capital assets	\$ 77,890,064	\$ 78,557,053	\$ (666,989)
Business-Type Activities			
Furniture and equipment	\$ 194,453	\$ 136,978	\$ 57,475

During fiscal year 2008, the District purchased approximately \$2.122 million in capital assets, retired \$52 thousand of furniture and equipment, purchased \$1.345 million in construction-in-progress and moved \$679 thousand from construction-in-progress to buildings and building improvements.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The District invested in replacement desktop and laptop computers, upgraded the uninterrupted power supply in the District server room, replaced the email achieving system for Sarbanes/Oxley compliance and implemented a new back-up system to replace the current equipment that is being leased.

The projects completed and moved from construction-in-progress to buildings and building improvement consist of upgrading the card access and security systems at Dallastown Elementary, Leader Heights Elementary and Loganville Springfield Elementary. They also include installation of a security system with cameras at the Middle School and High School, as well as replacement of some Middle School lockers, renovation of the energy management system at the High School and renovations of stadium seating.

An additional project completed was the parking expansion at Leader Heights Elementary.

Construction in progress currently is comprised of costs incurred for the Intermediate School, the Athletic Storage and Maintenance Building, the Athletic Fields, replacement of the boiler and testing, and adjusting and balancing of the energy management systems at the High School and Middle School. Additional information about capital assets can be found in Note 6 to the financial statements.

Long-term debt

In fiscal year 2008, the District had outstanding debt of \$102.622 million consisting of \$102.465 million in bond principal and \$157 thousand in lease obligations. In fiscal year 2007, the District had outstanding bond principal of \$62.310 million and \$337 thousand in lease obligations. The increase of \$39.975 million from last year is due to the issuance of \$82.755 million General Obligation Bonds, Series 2008. \$38.475 million of the Series 2008 issuance was used to refund the 1998 and 2000 Series, and the remaining \$44.280 million is to be used in the construction of the Intermediate School and the costs of issuance of the bonds. The District made payments against principal during fiscal year 2008 of \$4.125 million.

Refer to Figure A-21 for a comparison of the long-term debt outstanding for fiscal years 2008 and 2007.

**Figure A-21
Fiscal Years Ended June 30, 2008 and June 30, 2007
Long-term Debt**

	2008	2007
<i>General Obligation Bonds</i>		
Series 1998	\$ -	\$ 34,350,000
Series 2000	-	6,975,000
Series 2004	5,205,000	5,985,000
Series 2006	14,505,000	15,000,000
Series 2008	82,755,000	
<i>Capital Lease Obligations</i>		
BGE - musical equipment	6,822	18,604
United Leasing - musical equipment	14,857	-
KOCH - Pentamation software	-	120,123
Mobillease - various modulators	135,462	197,800
Total	\$ 102,622,141	\$ 62,646,527

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The District also made \$349 thousand in annual lease payments to the York County School of Technology for the General Obligation Bonds, Series 2007. As June 30, 2008, the principal balance payable by the York County School of Technology is \$40.960 million.

Other long-term obligations include accrued personal and sick leave for specific employees of the School District and swap payments associated with the variable-rate debt on the 1998 and 2000 bonds.

More detailed information about the District's long-term debt can be found in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

2008-2009 Budget

The general fund revenue budget for fiscal year 2009 is \$81.304 million which is \$4.731 million or 7% greater than the fiscal year 2008 budget of \$76.573.

The two largest revenue source increases are real estate taxes and the basic instructional subsidy, capturing 95% of the total expected increase. Real estate tax revenue is expected to generate an additional \$4.120 million which is an 8% increase over fiscal year 2008. The basic instructional subsidy is expected to increase \$341 thousand or 5%.

The general fund expenditure budget for the fiscal year 2009 is \$82.501 million which is \$4.119 million or 5% greater than the fiscal year 2008 budget of \$78.382 million. In order to subsidize the budget so that revenues equaled expenditures \$1.197 million of fund balance will be utilized.

The following highlight the largest categories where increases are expected:

- Salaries - \$2.055 million or 6% over fiscal year 2008, which includes seven new staff members.
- Benefits - \$642 thousand or 6% over fiscal year 2008, which is comprised of a \$380 thousand increase in the District's share of retirement and social security and an increase of \$330 thousand in medical benefits.
- Capital Reserve Fund Transfer of \$927 thousand offset by no longer funding projects through the General Fund 4000 Series (construction and improvement) causing a net impact of \$311 thousand.
- \$297 thousand in additional contracted service payments to the Lincoln Intermediate Unit.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Economic outlook

Many Districts' felt the impact of the financial crisis faced by the country in the fall 2008. The Board of School Directors and Management felt it was prudent to react to the impact the market crisis and the District's liquidity provider downgrade had on the variable rate debt held by District.

This reaction included the options to repair the variable rate debt on the general obligation bonds, series 2008 and to terminate the swaps by refinancing the debt with a fixed interest rate if deemed advantageous. This decision was authorized by the Board of School Districts in October 2008.

As of fiscal year ended 2008, the District held \$97.260 million in variable rate debt on the general obligation bonds, series 2008 and 2006, of which, \$38.475 million was synthetically fixed with swaps.

Act 1

Fiscal year 2008 was the first year that Session Act I of 2006, known as the Taxpayer Relief Act, was in place. The law stated that school districts may not increase the real estate tax rate above the adjusted index percentage as determined by the state. The adjusted index for Dallastown for fiscal years 2009 and 2010 are 5.2% and 4.8%, respectively.

School districts that wish to increase millage beyond the index to maintain or improve existing programs must either apply for exceptions from the Department of Education or receive voter approval for an increase via a tax-increase referendum question.

The law intends to ease the financial burden of home ownership by providing school districts with the means to lower property taxes to homeowners, especially senior citizens. The legislation is complex, setting rules for gaming revenue allocations, requiring front-end voter referenda on tax shifting, mandating new school district budget restrictions, and requiring back-end voter referenda on future real estate tax increases above the index.

The Commonwealth anticipates gaming will generate \$1 billion each year for local property tax relief. The intent of Act 1 is that school districts will receive property tax reduction allocations when the gaming revenues reach \$500 million and the Lottery Fund is repaid. Once the minimum level is obtained, allocations to school districts will be State-formula driven. The Commonwealth will assign each school district a numerical rank and assign a tax reduction index in order to calculate the property tax reduction allocation. The District is eligible to receive the allocation unless its Board of School Directors, by resolution, rejected the allocation. If the school board rejected the allocation, a referendum is submitted to the voters to determine whether they favor the school district receiving a property tax reduction allocation.

**DALLASTOWN AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Act 1 (Continued)

There are referendum exceptions built into Act I should the district need to raise taxes beyond the adjusted index. The exception categories provide partial relief for increases in the cost of special education, retirement and health care expenses, emergencies and disasters and some school construction projects. It is anticipated that most school districts will be requesting relief through some of the exceptions.

The Court of Common Pleas will make decisions on some referendum exceptions, but most will require approval from the Department of Education. As a result, the budget timeline for all schools needing to go above the adjusted index has been accelerated to provide the Department with a preliminary proposed budget by the beginning of February of each year along with the proposed exceptions so that the Department has time to act upon the requested exceptions.

PSERS

The Pennsylvania School Employees Retirement System (PSERS) set the rate for fiscal year 2009 at 4.76%, which is a 33% decrease from the 7.13% rate in fiscal year 2008. According to actuarial projections as of June 30, 2007, the rate is expected to continue to decrease slightly to 4.75% in fiscal year 2010 and 4.74% in fiscal years 2011 and 2012. However, for fiscal year ended 2013 the rate is project to be 11.23% which is an increase of 137%. In order to set aside resources to assist in funding the anticipated 11.23% rate in fiscal year 2013, the District continues to budget at 7.13%.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, investors and creditors, with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional information, please contact Miranda Hoefler-Weaver, CPA, MBA, Director of Accounting Services, or Donna Devlin, MBA, Business Administrator, at (717) 244-4021 or by mail at the Dallastown Area School District, 700 New School Lane, Dallastown, PA, 17313.

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 24,495,989	\$ 144,664	\$ 24,640,653
Investments	50,016,551	-	50,016,551
Due from other governments	1,501,669	22,908	1,524,577
Other receivables	104,529	4,518	109,047
Internal balances	12,319	-	12,319
Prepaid expenses	555,336	-	555,336
Inventories	-	29,238	29,238
Taxes receivable	2,093,828	-	2,093,828
Total current assets	78,780,221	201,328	78,981,549
Noncurrent Assets			
Furniture and equipment - net	5,986,744	194,453	6,181,197
Building and building improvements - net	63,610,947	-	63,610,947
Construction-in-progress	3,981,516	-	3,981,516
Land	4,310,857	-	4,310,857
Bond issuance costs - net	1,441,244	-	1,441,244
Total noncurrent assets	79,331,308	194,453	79,525,761
Total assets	\$ 158,111,529	\$ 395,781	\$ 158,507,310

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 2,182,771	\$ 7,068	\$ 2,189,839
Accrued salaries and benefits	4,551,358	-	4,551,358
Payroll deductions and withholdings	277,796	-	277,796
Internal balances	-	12,319	12,319
Current portion of long-term debt	4,285,000	-	4,285,000
Current portion of lease purchase obligations	81,970	-	81,970
Other current liabilities	23,134	-	23,134
Deferred revenues	17,523	1,645	19,168
Total current liabilities	11,419,552	21,032	11,440,584
Noncurrent Liabilities			
Long-term debt - net of current portion	98,117,526	-	98,117,526
Lease purchase obligations - net of current portion	75,171	-	75,171
Compensated absences	1,662,489	-	1,662,489
Total noncurrent liabilities	99,855,186	-	99,855,186
Total liabilities	111,274,738	21,032	111,295,770
Net Assets			
Invested in capital assets - net of related debt	31,087,931	194,453	31,282,384
Unrestricted	15,748,860	180,296	15,929,156
Total net assets	46,836,791	374,749	47,211,540
Total liabilities and net assets	\$ 158,111,529	\$ 395,781	\$ 158,507,310

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 48,404,997	\$ 202,462	\$ 7,169,316	\$ -	\$ (41,033,219)	\$ -	\$ (41,033,219)
Instructional student support	5,195,389	-	398,188	-	(4,797,201)	-	(4,797,201)
Administration and financial services	6,188,731	-	272,438	-	(5,916,293)	-	(5,916,293)
Operation and maintenance of plant services	5,495,986	-	57,545	-	(5,438,441)	-	(5,438,441)
Pupil transportation	3,057,655	-	1,052,872	-	(2,004,783)	-	(2,004,783)
Student activities	1,392,076	124,820	166,553	-	(1,100,703)	-	(1,100,703)
Community services	87,516	36,510	9,211	-	(41,795)	-	(41,795)
Interest on long-term debt	3,182,818	-	751,998	-	(2,430,820)	-	(2,430,820)
Total governmental activities	73,005,168	363,792	9,878,121	-	(62,763,255)	-	(62,763,255)
Business-type activities:							
Food Service	2,786,373	1,894,351	784,279	-	-	(107,743)	(107,743)
Total primary government	\$ 75,791,541	\$ 2,258,143	\$10,662,400	\$ -	\$ (62,763,255)	\$ (107,743)	\$ (62,870,998)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 53,933,592	\$ -	\$ 53,933,592
Public Utility Realty, Transfer, Earned Income, and Per Capita for General Purposes, net					6,410,146	-	6,410,146
Grants, subsidies and contributions not restricted					7,654,609	-	7,654,609
Investment earnings					2,120,800	9,958	2,130,758
Miscellaneous income					66,727	3,208	69,935
Total general revenues and transfers					70,185,874	13,166	70,199,040
Changes in net assets					7,422,619	(94,577)	7,328,042
Net assets - beginning					39,414,172	469,326	39,883,498
Net assets - ending					\$ 46,836,791	\$ 374,749	\$ 47,211,540

See Notes to Financial Statements.

DALLASTOWN AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	Major Funds		
	General Fund	Capital Projects Fund	Capital Reserve Fund
ASSETS			
Cash and cash equivalents	\$ 13,108,942	\$ 8,772,970	\$ 2,555,132
Investments	3,028,147	46,988,404	-
Due from other governments	1,501,669	-	-
Other receivables	104,529	-	-
Due from other funds	-	18,558	191
Prepaid expenses	555,336	-	-
Taxes receivable	2,093,828	-	-
Total assets	\$ 20,392,451	\$ 55,779,932	\$ 2,555,323
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 2,077,668	\$ 22,398	\$ 82,705
Accrued salaries and benefits	4,551,358	-	-
Payroll deductions and withholdings	277,796	-	-
Due to other funds	6,430	-	-
Other current liabilities	8,734	-	-
Deferred revenues	1,301,155	-	-
Total liabilities	8,223,141	22,398	82,705
Fund Balances			
Unreserved			
Designated for healthcare costs	296,290	-	-
Designated for variable rate debt	950,000	-	-
Designated for SWAP Termination	1,575,544	-	-
Designated for capital projects	-	55,757,534	-
Designated for future capital projects	550,000	-	-
Designated capital reserve	-	-	2,472,618
Designated for athletics	-	-	-
Undesignated	8,797,476	-	-
Total fund balances	12,169,310	55,757,534	2,472,618
Total liabilities and fund balances	\$ 20,392,451	\$ 55,779,932	\$ 2,555,323

Non-Major Fund		Total Governmental Funds	
	Athletic Fund		
\$	58,945	\$	24,495,989
	-		50,016,551
	-		1,501,669
	-		104,529
	-		18,749
	-		555,336
	-		2,093,828
\$	58,945	\$	78,786,651

\$	-	\$	2,182,771
	-		4,551,358
	-		277,796
	-		6,430
	-		8,734
	-		1,301,155
	-		8,328,244

	-		296,290
	-		950,000
	-		1,575,544
	-		55,757,534
	-		550,000
	-		2,472,618
	58,945		58,945
	-		8,797,476
	58,945		70,458,407
\$	58,945	\$	78,786,651

DALLASTOWN AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008**

Total fund balances - governmental funds	\$ 70,458,407
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$104,820,183 and the accumulated depreciation is \$26,930,119.</p>	77,890,064
<p>Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred revenues in the funds.</p>	1,283,632
<p>Governmental funds report bond issuance costs as expenditures. However, in the Statement of Activities, the cost of the issuance is allocated over the life of the debt issue. This is the amount by which bond issuance costs exceeds accumulated amortization.</p>	1,441,244
<p>Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds payable, net of bond discount and premium	(102,402,526)
Lease purchase obligations	(157,141)
Accrued interest	(14,400)
Compensated absences	(1,662,489)
	(104,236,556)
Total net assets - governmental activities	\$ 46,836,791

See Notes to Financial Statements.

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 Year Ended June 30, 2008

	Major Funds		
	General Fund	Capital Projects Fund	Capital Reserve Fund
Revenues			
Local sources	\$ 62,903,397	\$ 741,631	\$ 48,681
State sources	16,135,751	-	-
Federal sources	582,123	-	-
Total revenues	79,621,271	741,631	48,681
Expenditures			
Instructional	47,015,944	-	-
Support services	19,278,494	1,349,480	-
Operation of noninstructional services	1,253,907	-	-
Capital outlay	596,411	321,087	451,480
Debt service	7,508,017	38,475,000	-
Total expenditures	75,652,773	40,145,567	451,480
Excess (deficiency) of revenues over expenditures	3,968,498	(39,403,936)	(402,799)
Other Financing Sources (Uses)			
Refund of prior year's receipts	(1,412)	-	-
Operating transfers in	-	-	2,580,422
Operating transfers out	(2,642,422)	-	-
Sale of fixed assets	4,128	-	-
Proceeds from issuance of long term debt	23,805	82,755,000	-
Total other financing sources (uses)	(2,615,901)	82,755,000	2,580,422
Net changes in fund balances	1,352,597	43,351,064	2,177,623
Fund Balances:			
July 1, 2007	10,816,713	12,406,470	294,995
June 30, 2008	\$ 12,169,310	\$ 55,757,534	\$ 2,472,618

Non-Major Fund	Totals
Athletic Fund	Governmental Funds
\$ 124,820	\$ 63,818,529
-	16,135,751
-	582,123
<u>124,820</u>	<u>80,536,403</u>
-	47,015,944
-	20,627,974
98,080	1,351,987
-	1,368,978
-	45,983,017
<u>98,080</u>	<u>116,347,900</u>
26,740	(35,811,497)
-	(1,412)
-	2,580,422
-	(2,642,422)
-	4,128
-	82,778,805
<u>-</u>	<u>82,719,521</u>
26,740	46,908,024
32,205	23,550,383
<u>\$ 58,945</u>	<u>\$ 70,458,407</u>

DALLASTOWN AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

Net changes in fund balances - governmental funds	\$	46,908,024
--	----	------------

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays and dispositions in the period.

Capital outlays	2,788,794	
Less depreciation expense	(3,455,783)	(666,989)

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

(112,744)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrued, regardless of when it is due. In addition, bond premiums and discounts are recognized as interest throughout the life of the loan. The additional interest accrued in the Statement of Activities over the amount due is shown here.

(2,991)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

48,451

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(82,778,805)	
Repayment of long-term debt	42,803,191	
Payment of bond issuance costs	1,349,480	
Amortization of bond issuance costs	(124,997)	(38,751,132)

Changes in net assets of governmental activities	\$	7,422,619
---	-----------	------------------

DALLASTOWN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2008**

	General Fund		
	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Local sources	\$ 60,777,546	\$ 60,777,546	\$ 62,903,397
State sources	15,265,614	15,265,614	16,135,751
Federal sources	523,600	523,600	582,123
Total revenues	<u>76,566,760</u>	<u>76,566,760</u>	<u>79,621,271</u>
Expenditures			
Instructional	47,724,826	47,043,126	47,015,944
Support services	19,258,930	19,328,080	19,278,494
Operation of noninstructional services	1,218,850	1,262,100	1,253,907
Capital outlay	615,800	596,500	596,411
Debt service	9,190,300	7,509,450	7,508,017
Total expenditures	<u>78,008,706</u>	<u>75,739,256</u>	<u>75,652,773</u>
Excess (deficiency) of revenues over expenditures	(1,441,946)	827,504	3,968,498
Other Financing Sources (Uses)			
Refund of prior year's receipts	-	-	(1,412)
Operating transfers in	5,000	5,000	-
Operating transfers out	(73,000)	(2,642,450)	(2,642,422)
Sale of fixed assets	1,000	1,000	4,128
Budgetary reserve	(300,000)	-	-
Proceeds from general long-term debt	-	-	23,805
Total other financing	<u>(367,000)</u>	<u>(2,636,450)</u>	<u>(2,615,901)</u>
Net changes in fund balances	<u>\$ (1,808,946)</u>	<u>\$ (1,808,946)</u>	1,352,597
Fund Balances - July 1, 2007			10,816,713
Fund Balances - June 30, 2008			<u>\$ 12,169,310</u>

See Notes to Financial Statements.

<u>Variance with Final Budget</u>	
\$	2,125,851
	870,137
	58,523
	<u>3,054,511</u>
	27,182
	49,586
	8,193
	89
	1,433
	<u>86,483</u>
	3,140,994
	(1,412)
	(5,000)
	28
	3,128
	-
	23,805
	<u>20,549</u>
\$	<u>3,161,543</u>

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS - PROPRIETARY FUND - FOOD SERVICE
June 30, 2008

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 144,664
Due from other governments	22,908
Other receivables	4,518
Inventories	29,238
Total current assets	<u>201,328</u>
Noncurrent Assets	
Furniture and equipment - net	<u>194,453</u>
Total assets	<u><u>\$ 395,781</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities - all current	
Accounts payable	\$ 7,068
Internal balances	12,319
Deferred revenues	1,645
Total liabilities	<u>21,032</u>
Net Assets	
Investment in capital assets	194,453
Unrestricted	180,296
Total net assets	<u>374,749</u>
Total liabilities and net assets	<u><u>\$ 395,781</u></u>

See Notes to Financial Statements.

DALLASTOWN AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUND - FOOD SERVICE**

Year Ended June 30, 2008

<hr/>	
Operating Revenues	
Food service revenues	\$ 1,894,351
<hr/>	
Operating Expenses	
Supplies	1,400,085
Salaries	946,209
Employee benefits	272,202
Purchased professional and technical services	3,223
Purchased property services	49,322
Other purchased services	92,949
Depreciation	20,690
Other operating expenses	1,693
Total operating expenses	<hr/> 2,786,373 <hr/>
Operating loss	(892,022)
Nonoperating Revenues	
Investment earnings	9,958
State sources	166,634
Federal sources	617,645
Sale of fixed asset	3,208
Total nonoperating revenues	<hr/> 797,445 <hr/>
Changes in net assets	(94,577)
Net Assets - July 1, 2007	<hr/> 469,326 <hr/>
Net Assets - June 30, 2008	<hr/> \$ 374,749 <hr/> <hr/>

See Notes to Financial Statements.

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2008

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 1,893,862
Cash payments for goods and services	(1,404,448)
Cash payments to employees for services	(1,218,411)
Net cash used in operating activities	<u>(728,997)</u>
Cash Flows From Noncapital Financing Activities	
Federal and state subsidies	<u>647,383</u>
Cash Flows From Capital and related Financing activities	
Proceeds from sale of assets	3,208
Purchase of fixed assets	(78,165)
Net cash used in capital and related financing activities	<u>(74,957)</u>
Cash Flows From Investing Activities	
Investment earnings	<u>9,958</u>
Net decrease in cash and cash equivalents	(146,613)
Cash and Cash Equivalents:	
July 1, 2007	<u>291,277</u>
June 30, 2008	<u>\$ 144,664</u>
Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities	
Operating loss	\$ (892,022)
Adjustments to reconcile operating loss to net	
cash used in operating activities	
Depreciation	20,690
Value of donated commodities	125,780
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(1,555)
Inventories	6,784
(Decrease) increase in:	
Accounts payable	7,068
Internal balances	3,192
Deferred revenues	1,066
Net cash used in operating activities	<u>\$ (728,997)</u>

DALLASTOWN AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2008

	<u>Agency Fund</u> <u>Student Activities</u>
ASSETS	
Cash and cash equivalents	\$ 216,353
Investments	12,810
Total assets	<u>\$ 229,163</u>
LIABILITIES	
Due to student groups	\$ 229,163
Total liabilities	<u>\$ 229,163</u>

See Notes to Financial Statements.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Dallastown Area School District (the District) was formed in 1966 under the provisions of P.L. 564, the School District Reorganization Act of 1963 of the Commonwealth of Pennsylvania. The District operates a public school system that encompasses six municipalities in York County. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. Funding for the District is received from local, Commonwealth, and Federal sources and must comply with the requirements of the various funding source agencies.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the School District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units. The District does, however, participate in jointly-governed organizations which are described in Note 9.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The significant effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major funds are also presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and proprietary funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Assets.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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.

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

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

Capital Reserve Fund - The capital reserve fund accounts for monies transferred during any fiscal year for capital outlays not accounted for in another fund.

Additionally, the District reports the following non-major governmental funds:

Athletic Fund - This special revenue fund accounts for gate receipts and other revenues from athletic events and certain budgeted costs of the District's athletic program.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District allocates certain building-related costs, such as extermination and custodial fees, to the Food Service Fund.

The District maintains the following fiduciary fund type:

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

D. Budget and Budgetary Accounting

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The General Fund is the only fund that has an annual budget that has been legally adopted by the School Board. The School Board does not legally adopt the Food Service Fund budget; however, it is approved. The Public School Code allows the School Board to authorize budget transfer amendments during the last nine months of each fiscal year.

The School District may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. Amendments require School Board approval. All appropriations lapse at the end of each fiscal year.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value.

Inventories: Inventories in the proprietary fund are generally presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. The inventory consisted of certain government-donated commodities which were valued at estimated fair market value, as well as purchased commodities and supplies.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized in accordance with board policy at the discretion of management. Management considers various factors in the capitalization of assets, including the asset's estimated useful life, cost, and the extent to which the asset is part of a larger capital project. The donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation is provided for fixed assets on the straight-line basis over the following estimated useful lives:

	Estimated Lives (in years)	
	Governmental Activities	Business-Type Activities
Land improvements	20	N/A
Buildings and improvements	15-50	N/A
Machinery and equipment	5-20	5-20

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

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 or business-type activities columns in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences: The District provides for the accumulation and payout of sick pay upon the retirement of employees who retire under the terms of the District's collective bargaining agreements. Teachers, administrators, and support employees are eligible to receive a per diem amount for all accumulated sick days.

Derivative Financial Instrument: The District has entered into two interest-rate swap agreements, which are considered derivative financial instruments, to manage interest-rate exposure in certain long-term debt. Other than the net interest expenditures resulting from this agreement, no amounts are recorded in the financial instruments.

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Assets as internal balances.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

Fund Balance:

The District classifies fund balances as follows:

Unreserved - Designated

Unreserved - designated is used to denote the portion of the fund balance which is not available for expenditure appropriation or is legally segregated for a specific purpose. Designations are used to indicate intentions for financial resource utilization.

Unreserved - Undesignated

Undesignated is used to denote that portion of fund balance which is available for appropriations.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in refunds of prior year receipts and operating transfers out by \$1,412 and \$2,642,422, respectively. These over expenditures were funded by the interest savings on the bonds and greater than anticipated revenues.

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

Note 2. Deposits and Investments

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

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its Instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by either:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF)to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or District policies.

Deposits: Custodial-Credit Risk

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 100,000	\$ 100,000	Citizens Banks
Insured (FDIC)	2,014	2,014	People's Banks
Insured (FDIC)	100,000	100,000	Susquehanna Bank
Uninsured, collateralized in accordance with Act 72	11,787,869	11,781,084	Citizens Banks
Uninsured, collateralized in accordance with Act 72	17,742,875	19,233,838	Susquehanna Bank
	<u>\$ 29,732,758</u>	<u>\$ 31,216,936</u>	

Act 72 is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgor of the assets.

Investments

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

	Weighted Avg Maturities	Fair Values
Pennsylvania Local Government Investment Trust (PLGIT)	34 days	\$ 1,942,645
Pennsylvania School District Liquid Asset Fund (PSDLAF)	53 days	43,190,520
M&T Bank - Federated Treasury Obligations	18 days	18,750
		<u>\$45,151,915</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets

PLGIT - This fund invests in U.S. Treasury and agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

PSDLAF - This fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar size of individual investments within an investment type. WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices. As of June 30, 2008, the District's investments in PLGIT and PSDLAF were rated AAAM by Standard & Poor's.

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments in PSDLAF represent 95.66% of the District's total investments.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 3. Taxes Receivable, Deferred Revenues and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts of the General Fund at June 30, 2008, are as follows:

	Amount
Uncollected taxes - Real Estate	\$ 2,093,828
Taxes to be collected within 60 days	\$ 810,196
Deferred revenues - delinquent taxes	1,283,632
	<u>\$ 2,093,828</u>
Deferred Revenues	
Delinquent taxes	\$ 1,283,632
Other	17,523
Total Deferred Revenues	<u>\$ 1,301,155</u>

Note 4. Intergovernmental Receivables

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2008, the following amounts are due from other governmental units:

	General Fund	Proprietary Fund
PA Department of Education		
Debt Reimbursement	\$ 101,000	\$ -
Social Security	189,567	-
Retirement	503,144	-
York Area Earned Income Tax Bureau - EIT	412,345	-
Mainstreaming for various LEA's	135,883	-
County of York - Realty Transfer Tax	81,906	-
Federal Subsidies - Title I	50,675	-
Federal Subsidies - Title IIA	27,150	-
Federal Subsidies - Food Program	-	19,171
State Subsidies - Food Program	-	3,737
	<u>\$ 1,501,669</u>	<u>\$ 22,908</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 5. Internal Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2008, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ -	\$ 6,430
Capital Projects	18,558	-
Capital Reserve	191	-
Total Governmental	18,749	6,430
Proprietary Fund		
Food Service	-	12,319
	\$ 18,749	\$ 18,749

The outstanding balance between funds results mainly from a time lag between the dates that the goods and services are provided, recorded in the accounting system and the payments are made. The Capital Reserve and Capital Projects receivables are for payments for goods and services made from those funds that are to be reimbursed from the General Fund. The Food Service Fund Payable is for salaries and benefits that are paid out of the General Fund. All the balances above are expected to be collected in the subsequent year.

Individual fund transfers during the fiscal year ended June 30, 2008, are as follows:

Fund	Transfers In	Transfers Out
Governmental Fund Types		
General	\$ -	\$ 2,642,422
Capital Reserve	2,580,422	-
Total Governmental Fund Types	2,580,422	2,642,422
Fiduciary Fund Types - Student Activities	62,000	-
	\$ 2,642,422	\$ 2,642,422

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects, and asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. For the year ended June 30, 2008, amounts were transferred to the Capital Reserve Fund to fund various future improvements and acquisitions.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 6. Property Taxes

Based upon assessed valuations provided by County, the municipal tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2007-2008, is as follows:

July 1, 2007	Tax Levy Date
Through September 2, 2007	2% Discount
Through November 3, 2007	Face Payment Period
November 4, 2007	10% Penalty Period
January 1, 2008	Lien Filing Date

The District's tax rate for all purposes in 2007-2008, was 19.81 mills (\$19.81 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania accounting system.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. General Fixed Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	July 1, 2007	Increases	Decreases	June 30, 2008
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 4,310,857	\$ -	\$ -	\$ 4,310,857
	<u>4,310,857</u>	<u>-</u>	<u>-</u>	<u>4,310,857</u>
Capital assets being depreciated				
Buildings and building improvements	82,004,321	679,030	-	82,683,351
Furniture and equipment	12,453,425	1,443,411	(52,377)	13,844,459
Total capital assets being depreciated	<u>94,457,746</u>	<u>2,122,441</u>	<u>(52,377)</u>	<u>96,527,810</u>
Less accumulated depreciation				
Buildings and building improvements	17,344,581	1,727,823	-	19,072,404
Furniture and equipment	6,182,132	1,727,960	(52,377)	7,857,715
Total accumulated depreciation	<u>23,526,713</u>	<u>3,455,783</u>	<u>(52,377)</u>	<u>26,930,119</u>
Total capital assets being depreciated, net	70,931,033	(1,333,342)	-	69,597,691
Construction-in-progress	<u>3,315,163</u>	<u>1,345,386</u>	<u>(679,033)</u>	<u>3,981,516</u>
Total Governmental Activities, Capital Assets - Net	<u>\$ 78,557,053</u>	<u>\$ (679,033)</u>	<u>\$ 1,345,385</u>	<u>\$ 77,890,064</u>
Business-Type Activities:				
Capital assets being depreciated, equipment	\$ 236,248	\$ 78,165	\$ -	\$ 314,413
Less accumulated depreciation for equipment	<u>99,270</u>	<u>20,690</u>	<u>-</u>	<u>119,960</u>
Total Business-Type Activities, Capital Assets - Net	<u>\$ 136,978</u>	<u>\$ 57,475</u>	<u>\$ -</u>	<u>\$ 194,453</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 7. General Fixed Assets (Continued)

Depreciation expense was charged to the functions/programs of the District as follows:

	Amount
Governmental Activities:	
Instruction	\$ 2,540,609
Instructional student support	266,554
Administration and financial support	361,625
Operation and maintenance of plant	198,397
Pupil transportation	9,384
Student activities	73,761
Community services	5,453
Total Governmental Activities	<u>3,455,783</u>
Business-Type Activities:	
Food Service	20,690
Total Primary Government	<u><u>\$ 3,476,473</u></u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2008, and transactions during the year then ended follows:

	July 1, 2007	Increases	Decreases	June 30, 2008
General Long-Term Obligations				
General Obligation Bonds				
Series of 1998	\$ 34,350,000	\$ -	\$ 34,350,000	\$ -
Series of 2000	6,975,000	-	6,975,000	-
Series of 2004	5,985,000	-	780,000	5,205,000
Series of 2006	15,000,000	-	495,000	14,505,000
Series of 2008	-	82,755,000	-	82,755,000
Bond discounts, net of amortization	(67,091)	-	(4,617)	(62,474)
Total bonds payable	62,242,909	82,755,000	42,595,383	102,402,526
Lease purchase obligations	336,527	23,805	203,191	157,141
Compensated absences	1,710,940	-	48,451	1,662,489
Total General Long-Term Obligations	\$ 64,290,376	\$ 82,778,805	\$ 42,847,025	\$ 104,222,156

General Obligation Bonds - Series of 1998 - On March 15, 1998, the District issued General Obligation Bonds - Series of 1998 in the principal amount of \$49,900,000. The proceeds of the bonds were used to finance various capital projects and to pay for the costs of issuance. The bonds bore interest on a varying rate which was redetermined weekly by the remarketing agent. Interest was payable monthly, and the bonds were set to mature serially in amounts ranging from \$1,650,000 to \$4,010,000 through 2018. During 2007-2008, the District refunded these bonds with the General Obligation Bonds, Series of 2008, as recorded in the Capital Projects Fund.

General Obligation Bonds - Series of 2000 - On May 18, 2000, the District issued General Obligation Bonds - Series of 2000 in the principal amount of \$9,995,000. The proceeds of the bonds were used to finance various capital projects and to pay for the costs of issuance. The bonds bore interest on a varying rate which was redetermined weekly by the remarketing agent. Interest was payable monthly, and the bonds were set to mature serially in amounts ranging from \$365,000 to \$720,000 through 2020. During 2007-2008, the District refunded these bonds with the General Obligation Bonds, Series of 2008, as recorded in the Capital Projects Fund.

General Obligation Bonds - Series of 2004 - On October 1, 2004, the District issued General Obligation Bonds - Series of 2004, in the principal amount of \$7,500,000. The proceeds of the bonds are being used to finance various capital projects and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 2.00% to 3.60%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$750,000 to \$940,000 through 2014.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2006 - On June 1, 2006, the District issued General Obligation Bonds - Series of 2006 in the principal amount of \$15,000,000. The proceeds of the bonds are being used to finance various capital projects, including the intermediate school, and to pay for the costs of issuance. The bonds bear interest on a varying rate which is redetermined weekly by the remarketing agent. Interest is payable monthly, and the bonds mature serially in amounts ranging from \$495,000 to \$4,995,000 through 2019.

General Obligation Bonds - Series of 2008 - On April 24, 2008, the District issued General Obligation Bonds - Series of 2008 in the principal amount of \$82,755,000. The proceeds of the bonds are being used to finance various capital projects, including the intermediate school, and to pay for the costs of issuance. The bonds bear interest on a varying rate which is redetermined weekly by the remarketing agent. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$8,420,000 through 2031.

The maturity of the fixed and variable general obligation long-term debt issues are as follows, assuming current rates:

Years	Principal	Interest	Total
2008-2009	\$ 4,285,000	\$ 1,826,220	\$ 6,111,220
2009-2010	4,465,000	1,746,175	6,211,175
2010-2011	4,650,000	1,653,460	6,303,460
2011-2012	4,840,000	1,562,440	6,402,440
2012-2013	5,040,000	1,466,520	6,506,520
2014-2018	29,135,000	5,804,150	34,939,150
2019-2023	5,840,000	3,860,105	9,700,105
2024-2028	25,030,000	3,280,150	28,310,150
2029-2031	19,180,000	542,215	19,722,215
	<u>\$ 102,465,000</u>	<u>\$ 21,741,435</u>	<u>\$ 124,206,435</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

Swap Payments and Associated Debt

As of June 30, 2008, debt service requirements of the variable-rate debt and net interest-rate swap payments, assuming current interest rates remain the same for their term, were as follows.

Year	Variable-Rate Bonds			Total
	Principal	Interest	Swaps, net	
2008-2009	\$ 3,485,000	\$ 1,653,420	\$ 840,720	\$ 5,979,140
2009-2010	3,645,000	1,594,175	840,720	6,079,895
2010-2011	3,795,000	1,532,210	713,511	6,040,721
2011-2012	3,960,000	1,467,695	645,326	6,073,021
2012-2013	4,130,000	1,400,375	573,698	6,104,073
2014-2018	28,195,000	5,770,310	1,659,720	35,625,030
2019-2023	5,840,000	3,860,105	62,611	9,762,716
2024-2028	25,030,000	3,280,150	-	28,310,150
2029-2031	19,180,000	542,215	-	19,722,215
	<u>\$ 97,260,000</u>	<u>\$ 21,100,655</u>	<u>\$ 5,336,307</u>	<u>\$ 123,696,962</u>

Lease Purchase Obligations

The District leases certain equipment in connection with its operations, including modular units, computer software, and musical equipment. These Lease Agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Amount
Asset:	
Buildings and Buildings Improvements	\$ 311,861
Less: Accumulated Depreciation	(38,463)
Total Buildings and Improvements	<u>\$ 273,398</u>
Furniture and Equipment	\$ 385,918
Less: Accumulated Depreciation	(164,935)
Total Furniture and Equipment	<u>\$ 220,983</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 8. Long-Term Obligations (Continued)

The following is a schedule of the future minimum lease payments due under the lease purchase obligations, which are recorded at the present value of the net minimum lease payments at June 30, 2008:

	Amount
2008-2009	\$ 94,397
2009-2010	79,328
Total minimum lease payments	<u>173,725</u>
Less: amount representing interest	(16,584)
Total present value of net minimum lease payments	<u><u>\$ 157,141</u></u>

Compensated Absences

Under the terms of the District's employment policies, employees are reimbursed for accumulated sick and personal leave upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. Upon retirement from the District, employees are reimbursed in an amount equal to the number of unused days multiplied by an amount pre-established per the employment contract.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 9. Affiliates

York County School of Technology (YCST)

York County School of Technology is a separate legal entity. The YCST provides vocational, technical and career education to the students in its participating School Districts. The District is one of fourteen member school Districts of the YCST. Member school districts are responsible for funding the major portion of YCST's operating budget. The District's financial obligation to YCST for the year ended June 30, 2008, was \$1,438,439.52 which has been reported in the general fund.

York County School of Technology Authority

The District is also a member of the York County School of Technology Authority (Authority). The Authority was created as a financing medium for construction, improvement and maintenance for public school purposes relating to the operation of the York County School of Technology.

The Authority issued Lease Revenue Bonds, Series of 2007, in the aggregate amount of \$42,330,000 for the purpose of providing funds for the advance refunding of Lease Revenue Bonds, Series of 2003 of the Authority and to pay for the costs of issuance of the bonds. The Lease Revenue Bonds, Series of 2003, were used to pay for the costs of design and construction improvements, renovations and extraordinary repairs to and the acquisition and installation of related equipment for the facilities of York County School of Technology. The District is required, under terms of the lease, to pay lease rentals in connection with the Lease Revenue Bonds, Series of 2003, as follows:

<u>Year</u>	<u>Amount</u>
2008-2009	\$ 470,853
2009-2010	472,660
2010-2011	473,687
2011-2012	473,026
2012-2013	473,152
2014-2018	2,365,519
2019-2023	2,365,274
	<u>\$ 7,094,171</u>

The District's financial obligation to the Authority for the year ended June 30, 2008, was \$349,118, which has been reported in the General Fund.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 10. Defined-Benefit Pension Plan

Plan Description:

Name of plan: The 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 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 <http://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 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ration (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2008, 2007, and 2006, were \$2,740,124, \$2,543,000, and \$1,606,000, respectively, and are equal to the required contributions for each year.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 10. Defined Benefit Pension Plan (Continued)

The amount recognized for revenues and expenses for on-behalf payments relating to fringe benefits for the year ended June 30, 2008 was \$2,587,687.

This includes \$1,056,563 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees Retirement System (PSERS) for pension and \$1,531,124 to the federal government for Social Security and Medicare taxes for the year ended June 30, 2008. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 11. Derivative Financial Instruments

Objective of the Interest-Rate Swaps

As a means to manage interest-rate exposure, the District entered into two separate pay-fixed, receive-variable interest-rate swaps in connection with its Series 1998 and Series 2000 general obligation bonds. The swap contracts remained in effect after the refunding of the 1998 and 2000 series general obligation bonds. The intention of the swaps was to effectively change the District's variable-interest rates on the bonds to lower synthetic-fixed rates.

Terms, Fair Value, and Credit Risk

The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2008 were as follows. The notional amounts of the swaps matched the principal amounts of the original associated debt rather than the 2008 Series. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date
GO Bonds						
Series of 2008	\$ 31,960,000	6/1/2006	3.816%	67% of LIBOR	\$ (1,312,173)	2/1/2018
GO Bonds						
Series of 2008	<u>6,515,000</u>	5/1/2006	3.836%	67% of LIBOR	<u>(291,399)</u>	5/1/2020
	<u>\$ 38,475,000</u>				<u>\$ (1,603,572)</u>	

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 11. Derivative Financial Instruments (Continued)

Fair Value

Because interest rates have declined, all swaps had a negative fair value as of June 30, 2008. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair-value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risk

As of June 30, 2008, the District was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the District would be exposed to credit risk in the amount of the derivatives' fair value.

The swap agreements contain a collateral agreement with the counterparty. The swaps require full collateralization of the fair value of the swap should the counterparty's credit rating fall below A as issued by Standard & Poor's Rating Service or A3 as issued by Moody's Investor's Service. Collateral on all swaps is to be in the form of U.S. Government securities held by a third-party custodian.

The District also enters into master netting agreements when the District has entered into more than one derivative transaction with one counterparty.

Under the terms of these agreements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has executed two swap transactions with one counterparty. That counterparty is rated AA by Standard & Poor's Rating Service and Aa by Moody's Investors Service.

Basis Risk

The swap exposes the District to basis-risk should the relationship between LIBOR and BMA coverage change the synthetic rate on the bonds. The effect of the difference in basis is indicated by the difference between the intended synthetic rate (3.816% for Series 1998 Bonds and 3.836% for Series 2000 Bonds) and the synthetic rate as of June 30, 2008 (1.648% for Series 1998 Bonds and 1.648% for Series 2000 Bonds). If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Derivative Financial Instruments (Continued)

Termination Risk

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as a failure to pay and bankruptcy. The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.

Note 12. Commitments and Contingencies

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Grant Programs

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivables at June 30, 2008, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies (Continued)

Variable-Rate Debt

At June 30, 2008, the District carried outstanding variable-rate debt under the General Obligations Bonds Series of 2006 and 2008. The total variable rate debt of \$97,260,000 is subject to market rates and therefore, subject to change up to thresholds agreed upon within the respective bond documents. Maximum interest rates payable under the General Obligation Series of 2006 and 2008 were 25% and 12%, respectively. The difference between the rate of interest as of June 30, 2008 (1.7%) and the maximum is as follows:

Years	Interest Cost on Variable-Rate Debt		
	Variable Rate at June 30, 2008	Maximum Allowable Rate	Difference
2008-2009	\$ 1,653,420	\$ 13,556,850	\$ 11,903,430
2009-2010	1,594,175	13,074,300	11,480,125
2010-2011	1,532,210	12,571,250	11,039,040
2011-2012	1,467,695	12,050,200	10,582,505
2012-2013	1,400,375	11,510,000	10,109,625
2014-2018	5,770,310	47,027,500	41,257,190
2019-2023	3,860,105	27,897,150	24,037,045
2024-2028	3,280,150	23,154,000	19,873,850
2029-2031	542,215	3,827,400	3,285,185
	<u>\$ 21,100,655</u>	<u>\$ 164,668,650</u>	<u>\$ 143,567,995</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies (Continued)

Postemployment Benefits

Dallastown Area School District will implement GASB 45, Accounting for Other Postemployment Benefits (OPEB), for the year ending June 30, 2009. During 2008, an actuarial valuation of the District's OPEB obligation was performed. A summary of the plan is below.

Plan Description

Name of Plan: Dallastown Area School District Postemployment Benefits Plan

Type of Plan: Districts postemployment benefits plan for medical, dental, vision, and prescription drug benefits

Benefits: Medical, dental, vision and prescription-drug. Coverage includes retiree and spouse.

Eligibility: Teachers and Act 93 staff are eligible under Act 110/43 requirements with at least 20 years and 30 years with the District, respectively.

Contribution Rates

Member Contributions: Retirees' contributions are assumed to increase on the Health Care Cost Trend Rate. The rate is 8.50% in 2008 and decreasing .507% each year until an ultimate rate of 5.00% is realized in 2015 and later.

Employer Contributions: Contributions to fund the plan are based upon an actuarial valuation. The valuation determines the total unfunded accrued liability, the annual required contribution (ARC), and amortization of the unfunded accrued liability. The ARC is determined as the minimum required contribution that the District will have to make to cover the yearly liability. The District is not required by GASB 45 to fund the plan. Contributions will be determined by the Board of School Directors.

The School District's unfunded accrued liability under the plan as of January 1, 2008, is \$6,708,692.

REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2008

DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES
BUDGET TO ACTUAL (continued on next page)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LOCAL REVENUE SOURCES			
Current Real Estate Tax	\$ 52,156,646	\$ 51,254,041	\$ (902,605)
Interim Real Estate Tax	350,000	954,949	604,949
Public Utility Realty Tax	65,550	75,855	10,305
Payments in Lieu of Current Taxes	-	288	288
Earned Income Taxes - Act 511	3,844,000	4,255,139	411,139
Real Estate Transfer Tax	1,450,000	1,139,764	(310,236)
Unallocated EIT		287,340	287,340
Delinquent Real Estate Taxes	1,008,200	1,837,345	829,145
Delinquent Earned Income Taxes	250,000	651,760	401,760
State Revenue from other PA Public Schools	-	30,000	30,000
Interest on Investments	700,000	1,330,488	630,488
Federal IDEA Revenue Received as Pass Through	600,000	670,228	70,228
Federal Revenues from Other Sources	46,000	59,802	13,802
Rentals	41,600	51,426	9,826
Contributions from Private Sources	1,000	3,400	2,400
Regular Day School Tuition	11,000	33,491	22,491
Summer School Tuition	33,350	3,900	(29,450)
Adult Education Tuition	43,100	27,672	(15,428)
Receipts from Other LEA in Pennsylvania - Education	140,000	137,399	(2,601)
Revenue from Community Service Activities	31,750	36,511	4,761
Miscellaneous Revenue	5,350	23,119	17,769
Refunds of a Prior Year Expenditure	-	39,481	39,481
TOTAL REVENUES FROM LOCAL SOURCES	\$ 60,777,546	\$ 62,903,397	\$ 2,125,851

See Note to the Required Supplementary Information.

DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF REVENUES AND OTHER FINANCING SOURCES-
BUDGET TO ACTUAL (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STATE REVENUE SOURCES			
Basic Instructional Subsidy	\$ 7,481,650	\$ 7,654,609	\$ 172,959
Charter School Costs	100,000	92,464	(7,536)
Tuition - Section 1305/1306	75,000	100,076	25,076
Homebound Instruction	600	3,338	2,738
Vocational Education	3,150		(3,150)
Driver Education	8,700	7,070	(1,630)
Special Education	2,346,250	2,396,569	50,319
Transportation (Regular & Additional)	969,000	993,002	24,002
Rentals & Sinking Fund Payments	853,350	751,998	(101,352)
Health Services	100,000	109,727	9,727
Pa Accountability Grant	440,300	504,191	63,891
Dual Enrollment Grant	20,000	29,690	9,690
State Share Soc Security and Medicare Tax	1,499,400	1,464,695	(34,705)
State Share of Retirement Contributions	1,368,214	1,712,782	344,568
Classrooms for the Future Grant	-	315,540	315,540
TOTAL STATE REVENUE SOURCES	\$ 15,265,614	\$ 16,135,751	\$ 870,137
FEDERAL REVENUE SOURCES			
Title I - Basic Program	\$ 366,000	\$ 430,749	\$ 64,749
Title II - Improving Teacher Quality	130,000	124,627	(5,373)
Title III - ESL	22,250	5,600	(16,650)
Title IV - Safe and Drug-Free Schools	-	9,560	9,560
Title V - Innovative Programs	5,350	5,359	9
Title VI - Academic Achievement	-	6,228	6,228
TOTAL FEDERAL REVENUE SOURCES	\$ 523,600	\$ 582,123	\$ 58,523
OTHER REVENUE SOURCES			
Proceeds from Extended Term Financing	\$ -	\$ 23,805	\$ 23,805
Special Revenue Fund Transfer	5,000	-	(5,000)
Sale of Fixed Assets	1,000	4,128	3,128
TOTAL OTHER REVENUE SOURCES	\$ 6,000	\$ 27,933	\$ 21,933
REVENUES	\$ 76,572,760	\$ 79,649,204	\$ 3,076,444

See Note to the Required Supplementary Information.

**DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET TO ACTUAL (continued on next page)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

EXPENDITURES	Original Budget	Transfers Increase (Decrease)	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
INSTRUCTION					
REGULAR PROGRAMS					
Salaries	\$ 27,040,509	\$ (847,750)	\$ 26,192,759	\$ 26,192,756	\$ 3
Employee Benefits	7,729,467	(344,800)	7,384,667	7,384,628	39
Purchased Professional Services	66,850	(53,250)	13,600	13,595	5
Purchased Property Services	390,600	(126,450)	264,150	264,145	5
Other Purchased Services	683,300	17,650	700,950	699,501	1,449
Supplies and Material	1,376,750	(133,050)	1,243,700	1,243,326	374
Property	1,099,300	104,050	1,203,350	1,203,338	12
Other Objects	10,000	(2,200)	7,800	3,881	3,919
TOTAL REGULAR PROGRAMS	\$ 38,396,776	\$ (1,385,800)	\$ 37,010,976	\$ 37,005,170	\$ 5,806
SPECIAL PROGRAMS					
Salaries	\$ 3,207,800	\$ 251,650	\$ 3,459,450	\$ 3,459,413	\$ 37
Employee Benefits	1,118,600	54,850	1,173,450	1,173,404	46
Purchased Professional Services	2,553,400	322,800	2,876,200	2,876,156	44
Purchased Property Services		1,300	1,300	1,245	55
Other Purchased Services	392,000	(67,450)	324,550	324,536	14
Supplies and Material	37,250	29,850	67,100	61,259	5,841
Property	700	14,400	15,100	15,054	46
Other Objects	-	100	100	63	37
TOTAL SPECIAL PROGRAMS	\$ 7,309,750	\$ 607,500	\$ 7,917,250	\$ 7,911,130	\$ 6,120
VOCATIONAL EDUCATION					
Salaries	\$ 32,850	\$ 250	\$ 33,100	\$ 33,055	\$ 45
Employee Benefits	7,300	250	7,550	7,531	19
Purchased Professional Services	4,200	(3,550)	650	581	69
Other Purchased Services	1,252,400	(216,800)	1,035,600	1,035,480	120
Supplies and Material	2,000	250	2,250	2,226	24
Other Objects		200	200	108	92
TOTAL VOCATION EDUCATION	\$ 1,298,750	\$ (219,400)	\$ 1,079,350	\$ 1,078,980	\$ 370
OTHER INSTRUCTIONAL PROGRAMS					
Salaries	\$ 257,450	\$ 10,150	\$ 267,600	\$ 263,679	\$ 3,921
Employee Benefits	63,900	7,200	71,100	71,077	23
Purchased Professional Services	160,650	198,950	359,600	359,591	9
Purchased Property Services	13,000	2,000	15,000	13,202	1,798
Other Purchased Services	175,450	95,950	271,400	271,358	42
Supplies and Material	6,000	1,750	7,750	5,412	2,338
TOTAL OTHER INSTRUCTIONAL PROGRAM	\$ 676,450	\$ 316,000	\$ 992,450	\$ 984,319	\$ 8,131
ADULT EDUCATION PROGRAMS					
Salaries	\$ 4,150	-	\$ 4,150	\$ 1,787	\$ 2,363
Employee Benefits	450	-	450	207	243
Purchased Professional Services	27,000	-	27,000	24,774	2,226
Other Purchased Services	10,000	-	10,000	8,876	1,124
Supplies and Material	1,500	-	1,500	701	799
TOTAL ADULT EDUCATION PROGRAMS	\$ 43,100	\$ -	\$ 43,100	\$ 36,345	\$ 6,755
TOTAL INSTRUCTION	\$ 47,724,826	\$ (681,700)	\$ 47,043,126	\$ 47,015,944	\$ 27,182

See Note to the Required Supplementary Information.

**DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET TO ACTUAL (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

EXPENDITURES	Original Budget	Transfers Increase (Decrease)	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
SUPPORT SERVICES					
PUPIL PERSONNEL					
Salaries	\$ 1,334,700	\$ 116,500	\$ 1,451,200	\$ 1,451,157	\$ 43
Employee Benefits	396,408	9,150	405,558	405,511	47
Purchased Professional Services	249,000	(32,100)	216,900	216,859	41
Purchased Property Services	500	(300)	200	-	200
Other Purchased Services	23,650	(5,700)	17,950	9,884	8,066
Supplies and Material	49,350	32,300	81,650	81,633	17
Property	300	-	300	-	300
Other Objects	600	-	600	365	235
TOTAL PUPIL PERSONNEL	\$ 2,054,508	\$ 119,850	\$ 2,174,358	\$ 2,165,410	\$ 8,948
INSTRUCTIONAL STAFF					
Salaries	\$ 1,221,300	\$ (19,200)	\$ 1,202,100	\$ 1,201,939	\$ 161
Employee Benefits	363,665	(17,500)	346,165	342,650	3,515
Purchased Professional Services	197,650	100	197,750	197,748	2
Purchased Property Services	5,300	(2,800)	2,500	1,227	1,273
Other Purchased Services	57,050	33,100	90,150	90,136	14
Supplies and Material	146,450	28,600	175,050	173,540	1,510
Property	30,250	(22,500)	7,750	4,681	3,069
Other Objects	4,350	200	4,550	4,294	256
TOTAL INSTRUCTIONAL STAFF	\$ 2,026,015	\$ -	\$ 2,026,015	\$ 2,016,215	\$ 9,800
ADMINISTRATION					
Salaries	\$ 2,309,324	\$ (67,300)	\$ 2,242,024	\$ 2,241,403	\$ 621
Employee Benefits	730,119	(48,600)	681,519	673,959	7,560
Purchased Professional Services	156,000	(13,050)	142,950	134,300	8,650
Purchased Property Services	8,300	6,300	14,600	12,784	1,816
Other Purchased Services	294,150	(52,950)	241,200	241,042	158
Supplies and Material	32,000	2,550	34,550	34,523	27
Property	17,950	(13,050)	4,900	4,689	211
Other Objects	270,964	(68,050)	202,914	202,567	347
TOTAL ADMINISTRATION	\$ 3,818,807	\$ (254,150)	\$ 3,564,657	\$ 3,545,268	\$ 19,389
PUPIL HEALTH					
Salaries	\$ 482,100	\$ 19,500	\$ 501,600	\$ 501,470	\$ 130
Employee Benefits	165,000	5,650	170,650	170,615	35
Purchased Professional Services	136,050	(21,400)	114,650	114,580	70
Purchased Property Services	1,150	-	1,150	651	499
Other Purchased Services	1,200	-	1,200	1,064	136
Supplies and Material	10,600	1,400	12,000	11,973	27
Property	4,500	(4,000)	500	-	500
TOTAL PUPIL HEALTH	\$ 800,600	\$ 1,150	\$ 801,750	\$ 800,353	\$ 1,397

See Note to the Required Supplementary Information.

**DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET TO ACTUAL (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Transfers Increase (Decrease)	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
BUSINESS					
Salaries	\$ 383,400	\$ 19,500	\$ 402,900	\$ 401,785	\$ 1,115
Employee Benefits	146,850	(19,250)	127,600	124,889	2,711
Purchased Professional Services	79,400	(50,200)	29,200	29,102	98
Purchased Property Services	15,650	(10,150)	5,500	5,360	140
Other Purchased Services	23,700	(11,700)	12,000	11,669	331
Supplies and Material	18,600	26,550	45,150	44,804	346
Property	4,800	35,150	39,950	39,927	23
Other Objects	1,300	5,750	7,050	7,031	19
TOTAL BUSINESS	\$ 673,700	\$ (4,350)	\$ 669,350	\$ 664,568	\$ 4,782
OPERATION AND MAINTENANCE OF PLANT SERVICES					
Salaries	\$ 1,819,200	\$ 124,800	\$ 1,944,000	\$ 1,943,932	\$ 68
Employee Benefits	634,400	(18,300)	616,100	616,023	77
Purchased Professional Services	118,900	(3,700)	115,200	115,145	55
Purchased Property Services	1,558,050	(165,350)	1,392,700	1,392,657	43
Other Purchased Services	461,350	(134,350)	327,000	326,954	46
Supplies and Material	845,400	46,400	891,800	891,783	17
Property	48,700	7,650	56,350	56,337	13
Other Objects	4,950	3,450	8,400	8,350	50
TOTAL OPERATION AND MAINTENANCE OF PLANT SERVICES	\$ 5,490,950	\$ (139,400)	\$ 5,351,550	\$ 5,351,182	\$ 368
STUDENT TRANSPORTATION SERVICES					
Salaries	\$ 122,800	\$ (8,650)	\$ 114,150	\$ 114,077	\$ 73
Employee Benefits	33,100	3,350	36,450	36,404	46
Purchased Professional Services	-	-	-	-	-
Other Purchased Services	2,588,000	297,550	2,885,550	2,885,518	32
Supplies and Material	12,350	-	12,350	12,054	296
Property	-	23,800	23,800	23,727	73
Other Objects	300	-	300	220	80
TOTAL STUDENT TRANSPORTATION SERVICES	\$ 2,756,550	\$ 316,050	\$ 3,072,600	\$ 3,072,000	\$ 600
CENTRAL					
Salaries	\$ 663,400	\$ 66,800	\$ 730,200	\$ 730,199	\$ 1
Employee Benefits	202,350	(37,600)	164,750	164,687	63
Purchased Professional Services	103,150	(35,775)	67,375	67,358	17
Purchased Property Services	177,900	(34,975)	142,925	140,865	2,060
Other Purchased Services	37,950	80,850	118,800	118,728	72
Supplies and Material	196,900	53,750	250,650	249,393	1,257
Property	204,000	(62,200)	141,800	141,063	737
Other Objects	3,800	(1,650)	2,150	2,121	29
TOTAL CENTRAL	\$ 1,589,450	\$ 29,200	\$ 1,618,650	\$ 1,614,414	\$ 4,236
OTHER SUPPORT SERVICES					
Other Purchased Services	\$ 48,350	\$ 800	\$ 49,150	\$ 49,083	\$ 67
TOTAL OTHER SUPPORT SERVICES	\$ 48,350	\$ 800	\$ 49,150	\$ 49,083	\$ 67
TOTAL SUPPORT SERVICES	\$ 19,258,930	\$ 69,150	\$ 19,328,080	\$ 19,278,494	\$ 49,586

See Note to the Required Supplementary Information.

**DALLASTOWN AREA SCHOOL DISTRICT
GENERAL FUND
SCHEDULES OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET TO ACTUAL (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Original Budget	Transfers Increase (Decrease)	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
OPERATION OF NON-INSTRUCTIONAL SERVICES					
STUDENT ACTIVITIES					
Salaries	\$ 634,000	\$ 107,350	\$ 741,350	\$ 741,321	\$ 29
Employee Benefits	121,000	8,000	129,000	128,989	11
Purchased Professional Services	26,000	(300)	25,700	24,496	1,204
Purchased Property Services	32,000	(5,000)	27,000	26,191	809
Other Purchased Services	188,000	(57,800)	130,200	129,776	424
Supplies and Material	85,400	13,600	99,000	98,540	460
Property	48,000	(29,600)	18,400	18,358	42
Other Objects	4,000	700	4,700	4,172	528
TOTAL STUDENT ACTIVITIES	\$ 1,138,400	\$ 36,950	\$ 1,175,350	\$ 1,171,843	\$ 3,507
COMMUNITY SERVICES					
Salaries	\$ 55,650	\$ 10,700	\$ 66,350	\$ 66,312	\$ 38
Employee Benefits	8,350	-	8,350	7,988	362
Other Purchased Services	-	550	550	520	30
Supplies and Material	6,500	(2,000)	4,500	243	4,257
Other Objects	9,950	(2,950)	7,000	7,000	-
TOTAL COMMUNITY SERVICES	\$ 80,450	\$ 6,300	\$ 86,750	\$ 82,063	\$ 4,687
TOTAL OPERATION OF NON-INSTRUCTIONAL SERVICES	\$ 1,218,850	\$ 43,250	\$ 1,262,100	\$ 1,253,907	\$ 8,193
FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SERVICES					
EXISTING BUILDING IMPROVEMENT SERVICES					
Purchased Professional Services	\$ -	52,500	\$ 52,500	\$ 52,500	\$ -
Purchased Property Services	255,800	(79,600)	176,200	176,114	86
Property	360,000	7,800	367,800	367,797	3
TOTAL EXISTING BUILDING IMPROVEMENT SERVICES	\$ 615,800	\$ (19,300)	\$ 596,500	\$ 596,411	\$ 89
TOTAL FACILITIES ACQUISITION, CONSTRUCTION AND IMPROVEMENT SVC.	\$ 615,800	\$ (19,300)	\$ 596,500	\$ 596,411	\$ 89
OTHER EXPENDITURES AND FINANCING USES					
DEBT SERVICE AND OTHER EXPENDITURES/FINANCING USES					
Interest	\$ 4,669,950	\$ (1,708,250)	\$ 2,961,700	\$ 2,960,274	\$ 1,426
Redemption of Bonds or Capital Leases	4,520,350	27,400	4,547,750	4,547,742	8
Refund of Prior Year Receipts		0	-	1,412	(1,412)
TOTAL DEBT SERVICE AND OTHER EXPENDITURES/FINANCING USES	\$ 9,190,300	\$ (1,680,850)	\$ 7,509,450	\$ 7,509,429	\$ 21
INTERFUND TRANSFERS - OUT	73,000	2,569,450	2,642,450	2,642,422	28
BUDGETARY RESERVE	300,000	(300,000)	-	-	-
TOTAL OTHER EXPENDITURES AND FINANCING USES	\$ 9,563,300	\$ 588,600	\$ 10,151,900	\$ 10,151,851	\$ 49
TOTAL GENERAL FUND EXPENDITURES	\$ 78,381,706	\$ -	\$ 78,381,706	\$ 78,296,607	\$ 85,099

See Note to the Required Supplementary Information.

DALLASTOWN AREA SCHOOL DISTRICT.

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Data

The budget for the General Fund is adopted on a modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

**STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES -
FIDUCIARY FUND - STUDENT
ACTIVITIES AGENCY FUND
JUNE 30, 2008**

The *Agency Fund* accounts for assets held by the District as an agent for various student groups within the middle school and high school.

DALLASTOWN AREA SCHOOL DISTRICT

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
STUDENT ACTIVITIES AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Beginning Balance, 7/1/07	Additions	Reductions	Ending Balance, 6/30/08
ASSETS				
Cash and cash equivalents	\$ 189,124	\$ 763,021	\$ 735,792	\$ 216,353
Investments	14,308	542	2,040	12,810
TOTAL ASSETS	\$ 203,432	\$ 763,563	\$ 737,832	\$ 229,163
LIABILITIES				
Due to student groups	\$ 203,432	\$ 763,563	\$ 737,832	\$ 229,163
TOTAL LIABILITIES	\$ 203,432	\$ 763,563	\$ 737,832	\$ 229,163

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

Board of School Directors
Dallastown Area School District
Dallastown, 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 Dallastown Area School District as of and for the year ended June 30, 2008, which collectively comprise Dallastown Area School District's basic financial statements and have issued our report thereon dated November 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Dallastown Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dallastown Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dallastown Area School District'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

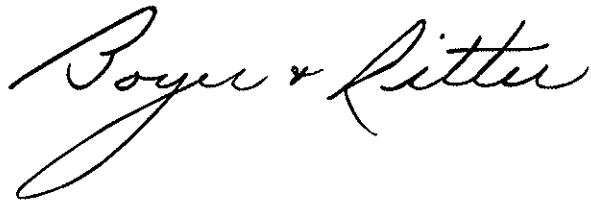
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was made 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 Dallastown Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Boyer & Litter". The signature is written in black ink and is positioned to the right of the date and location text.

Camp Hill, Pennsylvania
November 6, 2008

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

Board of School Directors
Dallastown Area School District
Dallastown, Pennsylvania

Compliance

We have audited the compliance of Dallastown Area School District with the types of compliance requirements described in U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of the District's major Federal programs for the year ended June 30, 2008. Dallastown Area School District's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Dallastown Area School District's management. Our responsibility is to express an opinion on Dallastown Area School District's compliance based on our audit.

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

In our opinion, Dallastown Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.

Internal Control over Compliance

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

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

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

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

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

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in dark ink and is positioned to the right of the date and location text.

Camp Hill, Pennsylvania
November 6, 2008

DALLASTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not
considered to be a material weakness (es)? ___ Yes X None Reported

Noncompliance material to financial statements
noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not
considered to be a material weakness (es)? ___ Yes X None Reported

Type of auditor's report issued on compliance for the major programs: Unqualified

- Any audit findings disclosed that are
required to be reported in accordance
with Section .510(a) of Circular A-133? ___ Yes X No

DALLASTOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2008

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
84.010	Title I – Grants to Local Education Agencies
84.010	Title I – Academic Achievement
84.281	Title II – Improving Teacher Quality

Dollar threshold used to distinguish between
type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

DALLASTOWN AREA SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

Grantor Program Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Education					
Passed through the PA Dept. of Education					
Title I - Grants to Local Educational Agencies	I	84.010	013-080112	07-08	\$ 430,749
Title I - Grants to Local Educational Agencies	I	84.010	013-070112	06-07	\$ 365,198
Title I - Academic Achievement	I	84.010	077-060112	06-07	\$ 6,228
Title II - Improving Teacher Quality	I	84.281	020-080112	07-08	\$ 132,923
Title II - Improving Teacher Quality	I	84.281	020-070112	06-07	\$ 130,294
Title III - Language Instruction	I	84.365	010-080112	07-08	\$ 21,847
Title III - Language Instruction	I	84.365	010-070112	06-07	\$ 22,251
Title V - Innovative Education	I	84.298	011-080112	07-08	\$ 5,359
Passed through Lincoln Intermediate Unit					
Special Education - Grants to States	I	84.027	N/A	07-08	\$ 670,228
Safe and Drug-Free Schools and Communities	I	84.186	N/A	07-08	\$ 9,560
Safe and Drug-Free Schools and Communities	I	84.186	N/A	06-07	\$ 3,382

Total U.S. Department of Education

	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2007	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2008
\$	373,569	\$ -	\$ 424,245	\$ 424,245	\$ 50,676
	72,722	66,218	6,504	6,504	-
	6,228	-	6,228	6,228	-
	97,477	-	124,627	124,627	27,150
	26,016	26,016	-	-	-
	13,108	-	1,050	1,050	(12,058)
	10,712	6,162	4,550	4,550	-
	5,359	-	5,359	5,359	-
	670,228	-	670,228	670,228	-
	9,560	-	9,560	9,560	-
	1,590	1,590	-	-	-
	1,286,569	99,986	1,252,351	1,252,351	65,768

DALLASTOWN AREA SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2008**

Grantor Program Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Agriculture					
Passed through PA Department of Education National School Lunch Program	I	10.555	N/A	07-08	N/A
School Breakfast Program	I	10.553	N/A	07-08	N/A
Passed through the PA Department of Agriculture Food Donation	I	10.550	N/A	07-08	N/A

Total U.S. Department of Agriculture

Total Expenditures of Federal Awards

Test of 25% rule:

Total Federal Expenditures	\$ 1,869,996
Programs selected for testing major programs	
Title I - Grants to Local Educational Agencies	430,749
Title I - Academic Achievement	6,228
Title II - Improving Teacher Quality	124,627
	<u>\$ 561,604</u>
	<u><u>\$ 561,604 / \$1,869,996 = 30.03%</u></u>

Source Codes:

D - Direct Funding

I - Indirect Funding

See Note to Schedule of Expenditures of Federal Awards.

Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2007	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2008
426,699	8,474	434,488	434,488	16,263
55,878	1,410	57,377	57,377	2,909
125,780	-	125,780	125,780	-
608,357	9,884	617,645	617,645	19,172
<u>\$ 1,894,926</u>	<u>\$ 109,870</u>	<u>\$ 1,869,996</u>	<u>\$ 1,869,996</u>	<u>\$ 84,940</u>

DALLASTOWN AREA SCHOOL DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the School District's Federal award programs and presents transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

DALLASTOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2008

There were no prior-year audit findings.