

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: S&P: “\_\_\_\_\_” (Insured)  
S&P: “\_\_\_\_\_” (Underlying)  
(See Ratings herein)

*In the opinion of Bond Counsel, under existing statutes, regulations and judicial decisions, interest on and accruals of original issue discount with respect to the Bonds (a) are excludable from gross income for purposes of federal income taxation, and (b) are not items of tax preference within the meaning of Section 57 of the Code for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. This opinion of Bond Counsel is given in reliance upon certain representations made by the School District and is subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.*

*Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”), as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth, and the interest on the Bonds is exempt from the Commonwealth’s personal income tax and the Commonwealth’s corporate net income tax.*

*The School District has designated or deemed designated each of the Bonds as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institutions’ interest expense allocable to interest on the Bonds. See “TAX MATTERS” herein.*

**\$3,575,000\***

**West Middlesex Area School District  
Mercer County, Pennsylvania  
General Obligation Bonds, Series of 2012**

**Dated:** Date of Delivery

**Interest Due:** June 15 and December 15

**Principal Due:** June 15, as shown on inside cover

**First Interest Payment:** June 15, 2012

The General Obligation Bonds, Series of 2012 (the “Bonds”) in the aggregate principal amount of \$3,575,000\* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the West Middlesex Area School District, Mercer County, Pennsylvania (the “School District”), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District pledged its full faith, credit and taxing power, within the limits provided by law (*But see “Security” and “Taxpayer Relief Act” herein*).

Interest on each of the Bonds is payable initially on June 15, 2012, and thereafter semiannually on June 15 and December 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent”), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry Only System for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its designated corporate trust office in Pittsburgh, Pennsylvania or Dallas, Texas (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See “THE BONDS,” *infra*).

**The Bonds are subject to redemption prior to maturity as described herein.**

Proceeds of the Bonds will be used to currently refund the School District’s General Obligation Bonds, Series B of 2002 and pay costs and expenses of issuing of the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_.

**MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS  
{As Shown on Inside Cover}**

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, of Pittsburgh, Pennsylvania, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by James Nevant, II, Esquire, Hermitage, Pennsylvania, School District Solicitor. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC, on or about April 2, 2012.

**Public Financial Management, Inc.**

Financial Advisor to the School District

Dated: \_\_\_\_\_

\*Estimate, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**\$3,575,000\***  
**West Middlesex Area School District**  
**Mercer County, Pennsylvania**  
**General Obligation Bonds, Series of 2012**

**Dated:** Date of Delivery  
**Interest Due:** June 15 and December 15

**Principal Due:** June 15, as shown below  
**First Interest Payment:** June 15, 2012

**BOND MATURITY SCHEDULE:**

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<u>June 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yields/Prices</u>
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			

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(A portion of the Bonds may be structured as Term Bonds. See "Invitation to Bid".)

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\*Estimated, subject to change.

**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
Mercer County, Pennsylvania

**BOARD OF SCHOOL DIRECTORS**

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Tracy C. Hemminger.....	President
Ryan T. Gelesky.....	Vice-President
Theodore W. Hennessy.....	Treasurer
Glen W. Allen Jr.....	Member
Jack J. Grandy.....	Member
Douglas R. Hazlett, Ph.D.....	Member
Troy A. Mild.....	Member
Gina M. Reed.....	Member
Anita L. Booth.....	Member

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**SUPERINTENDENT**  
ALAN J. BALDARELLI

**BUSINESS MANAGER**  
JAMES M. HUGHES

**SOLICITOR TO THE SCHOOL DISTRICT**  
JAMES NEVANT, II, ESQUIRE  
Hermitage, Pennsylvania

**BOND COUNSEL**  
ECKERT SEAMANS CHERIN & MELLOTT, LLC  
Pittsburgh, Pennsylvania

**FINANCIAL ADVISOR**  
PUBLIC FINANCIAL MANAGEMENT, INC.  
Harrisburg, Pennsylvania

**PAYING AGENT**  
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
Pittsburgh, Pennsylvania

**SCHOOL DISTRICT ADDRESS**  
3591 Sharon Road  
West Middlesex, Pennsylvania 16159

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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# PRELIMINARY OFFICIAL STATEMENT

**\$3,575,000\***

## **West Middlesex Area School District Mercer County, Pennsylvania General Obligation Bonds, Series of 2012**

### INTRODUCTION

This Preliminary Official Statement, including the cover page and inside cover page hereof and Appendices hereto, is furnished by West Middlesex Area School District (the "School District"), located in Mercer County, Pennsylvania, in connection with the offering of its \$3,575,000\*, aggregate principal amount, General Obligation Bonds, Series of 2012 (the "Bonds"). The Bonds are dated as of April 2, 2012 and are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on February 27, 2012 (the "Resolution"), in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, 53 Pa. C.S. Chs. 80-82 (the "Act").

### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used to currently refund the School District's General Obligation Bonds, Series B of 2002 currently outstanding in the principal amount of \$3,395,000 (the "2002B Bonds") and pay costs and expenses of issuing of the Bonds.

Upon issuing of the Bonds, a portion of the proceeds of the Bonds will be irrevocably deposited with The Bank of New York Mellon Trust Company, N.A., as successor paying agent for the 2002B Bonds in an amount sufficient to redeem the 2002B Bonds being refunded, at a redemption price equal to the principal amount redeemed plus accrued interest, on or about June 15, 2012.

### Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

<b>SOURCE OF FUNDS</b>	<b>Total</b>
Par Amount .....	
Net Original Issue Discount/Premium .....	
Accrued Interest .....	
<i>Total Source of Funds</i> .....	
<b>USE OF FUNDS</b>	
Amount Required to Redeem the 2002B Bonds .....	
Cost of Issuance <sup>(1)</sup> .....	
<i>Total Use of Funds</i> .....	

<sup>(1)</sup>Includes legal, financial advisor, printing, rating, underwriters discount, municipal bond insurance premium, CUSIP, paying agent, redemption agent and miscellaneous costs.

\*Estimated, subject to change.

## THE BONDS

### Description

The Bonds will be issued in fully registered form in denominations of \$5,000 and integral multiples thereof, will be in the aggregate principal amount of \$3,575,000\*, will be dated as of April 2, 2012, and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on June 15, 2012, and thereafter, semiannually on June 15 and December 15 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (the “Beneficial Owners”) will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See “BOOK – ENTRY ONLY SYSTEM” herein.

### Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent”), acting as paying agent, registrar and sinking fund depository for the Bonds, at its designated corporate trust office in Pittsburgh, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest on the Bonds will be payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding June 15, 2012, in which event such Bond shall bear interest from April 2, 2012, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on each Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the last day of the calendar month (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the “Record Date”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent not less than ten (10) days preceding such special record date to the registered owners of such Bonds as of the close of business on the fifth business day preceding the date of mailings.

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

### Transfer, Exchange and Registration of Bonds

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

\*Estimated, subject to change.

## **State Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 154 of 1998 (the "Public School Code"), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any State appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this withholding provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Pennsylvania Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

## **Security**

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has, subject to statutory restrictions and limitations, covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation and payment the School District, subject to statutory restrictions and limitations, irrevocably has pledged its full faith, credit and available taxing power. (See "The Taxpayer Relief Act" herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see "DEFAULTS AND REMEDIES" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "State Enforcement of Debt Service Payments" herein).

## **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated "Sinking Fund, General Obligation Bonds, Series of 2012" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent, as Sinking Fund Depository. The School District shall deposit in the Sinking Fund a sufficient sum, not later than the date when interest and/or principal is to become due on the Bonds, so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as Sinking Fund Depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

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



## REDEMPTION OF BONDS

### Mandatory Redemption

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid (subject to adjustment as permitted therein), upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

### Optional Redemption

The Bonds stated to mature on or after June 15, 2018, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on June 15, 2017, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

### Notice of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.*

Notice of any redemption of certificated Bonds shall be given by depositing a copy of the redemption notice by first class mail not less than thirty (30) days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part, at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds called for redemption as to which proper notice has been given.

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

If at time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent, as sinking fund depository, money sufficient to redeem all Bonds called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited. If the Bonds to be called for redemption shall have been refunded, money sufficient to redeem such Bonds shall be deemed to be on deposit with the Paying Agent for the purposes of this paragraph and the notice of redemption need not state that it is conditional, if the redemption money has been deposited irrevocably with another bank or bank and trust company which shall have been given irrevocable instructions to transfer the same to the Paying Agent not later than the opening of business on the redemption date.

### Manner of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.*

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

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

## BOOK-ENTRY ONLY SYSTEM

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

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

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

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

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

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

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

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

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

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

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## THE SCHOOL DISTRICT

### Introduction

Act 299 of the General Assembly of the Commonwealth of Pennsylvania, approved August 8, 1963, P.L. 564, which is an amendment to the School Code, made it mandatory, under the requirements thereof, for school districts located within a County to reorganize prior to July 1, 1966, in accordance with the approved County plans. The West Middlesex Area School District (the "School District") is a School District of the third class organized under state law and located in Mercer County in northwestern Pennsylvania. The School District is comprised of the Townships of Lackawannock and Shenango, along with the Borough of West Middlesex (collectively, the "Component Municipalities"). These three Component Municipalities are located in the southwestern corner of Mercer County, Pennsylvania (the "County"), approximately five miles south of the City of Sharon, Pennsylvania, fifteen miles northwest of the City of New Castle, Pennsylvania, and sixty miles northwest of the City of Pittsburgh, Pennsylvania; the School District is also located adjacent to the Ohio border, approximately fifteen miles east of the City of Youngstown, Ohio. The School District encompasses a combined land area of 51.7 square miles, serving a 2010 U.S. Census population of 7,454 people residing in the School District.

### Administration

The School District is governed by a nine member Board of School Directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Manager is responsible for budget and financial operations. The School Board appoints both of these officials.

### School Facilities

The School District presently owns and operates two elementary schools and a junior-senior high school, all as described in the following table. Students in grades 9-12 may also attend the Mercer County Area Vocational-Technical School.

**TABLE 1  
WEST MIDDLESEX AREA SCHOOL DISTRICT FACILITIES\***

<u>Building</u>	<u>Original Construction Date</u>	<u>Addition/ Renovation Date(s)</u>	<u>Grades</u>	<u>Rated Pupil Capacity</u>	<u>2011-12 Enrollment</u>
<i>Elementary:</i>					
Luther W. Low .....	1971	2011	K-3	500	300
Oakview .....	1963	2003	4-6	375	286
<i>Secondary:</i>					
West Middlesex Area.....					
Junior-Senior High School .....	1952	1963, 1994	7-12	905	560

Source: School District officials.

### Enrollment Trends

Table 2 presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by School District officials.

**TABLE 2  
WEST MIDDLESEX AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<u>Actual Enrollments</u>				<u>Projected Enrollments</u>			
<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>School Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>
2007-08	597	545	1,142	2012-13	590	550	1,140
2008-09	576	582	1,158	2013-14	590	550	1,140
2009-10	591	541	1,132	2014-15	590	550	1,140
2010-11	563	582	1,145	2015-16	590	550	1,140
2011-12	586	560	1,146	2016-17	590	550	1,140

Source: School District officials.

## SCHOOL DISTRICT FINANCES

### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year, which begins on July 1.

### Financial Reporting

The School District keeps its books and prepares its financial reports according to an accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by State law. Black, Bashor & Porsch, LLP, Certified Public Accountants of Sharon, Pennsylvania, currently serves as the School District's auditor.

The School District's auditor has not been engaged to perform, and has not performed, since the date of its report included in an Appendix to this Preliminary Official Statement, any procedure on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Preliminary Official Statement.

### Budgeting Process as modified by Act 1 of 2006 (Taxpayer Relief Act)

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

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together "The Taxpayer Relief Act" or "Act 1") all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days of the receipt of the information about the preliminary budget, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

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

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

**Summary and Discussion of Financial Results**

The General Fund Balance Sheet and a summary of the changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past five years and the 2011-12 Budget. The Budget for 2011-12 as adopted June 23, 2011, projected revenue of \$12,903,499 and expenditures of \$14,104,470, which included a budgetary reserve of \$70,000. The School District's budget did not call for an increase on real estate tax millage.

**TABLE 3  
WEST MIDDLESEX AREA SCHOOL DISTRICT  
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET  
(Years ending June 30)\***

<b>ASSETS</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Cash and Cash Equivalents.....	\$3,656,787	\$3,457,249	\$3,734,246	\$3,579,494	\$3,957,590
Investments.....	0	0	0	0	0
Taxes Receivable.....	813,000	854,000	888,000	885,000	810,000
Due From other Funds.....	13,113	0	15,645	6,537	13,374
Due from other Governments.....	794,214	740,584	202,067	0	0
State and Federal Revenue Receivable.....	0	0	374,285	1,045,607	1,066,377
Other Receivables.....	0	0	218	0	0
Inventories.....	45,000	45,000	45,000	45,000	45,000
Prepaid Expenses/Expenditures.....	110,498	232,936	244,586	119,872	126,806
<b>TOTAL ASSETS</b> .....	<b>\$5,432,612</b>	<b>\$5,329,769</b>	<b>\$5,504,047</b>	<b>\$5,681,510</b>	<b>\$6,019,147</b>
<b>LIABILITIES</b>					
Due to Other Funds.....	\$1,018,664	\$949,103	\$839,845	\$1,114,154	\$1,038,488
Accounts Payable.....	279,715	187,606	176,870	273,558	147,792
Accrued Salaries and Benefits.....	901,799	924,012	798,467	739,540	961,553
Payroll Deductions and Withholdings.....	0	0	125,466	0	810,000
Deferred Revenues.....	821,120	857,734	902,085	892,944	0
<b>TOTAL LIABILITIES</b> .....	<b>\$3,021,298</b>	<b>\$2,918,455</b>	<b>\$2,842,733</b>	<b>\$3,020,196</b>	<b>\$2,957,833</b>
<b>FUND EQUITIES</b>					
Reserve for Inventories.....	\$45,000	\$45,000	\$45,000	\$45,000	\$0
Reserved for Prepaid Expenses.....	110,499	232,936	244,586	119,872	171,806
Reserve for Other.....	0	0	0	250,000	0
Unreserved – Designated.....	993,435	830,646	1,127,415	895,651	1,545,651
Unreserved – Undesignated.....	1,262,380	1,302,732	1,244,313	1,350,791	1,343,857
<b>TOTAL FUND EQUITIES</b> .....	<b>\$2,411,314</b>	<b>\$2,411,314</b>	<b>\$2,661,314</b>	<b>\$2,661,314</b>	<b>\$3,061,314</b>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b> .....	<b>\$5,432,612</b>	<b>\$5,329,769</b>	<b>\$5,504,047</b>	<b>\$5,681,510</b>	<b>\$6,019,147</b>

Source: School District Annual Financial Reports.

**TABLE 4  
WEST MIDDLESEX AREA SCHOOL DISTRICT GENERAL FUND  
SUMMARY OF CHANGES IN FUND BALANCE\*  
(Years ending June 30)\***

	<b>2007</b>	<b>2008</b>	<b>Actual 2009</b>	<b>2010</b>	<b>2011</b>	<b>Budget 2012<sup>(1)</sup></b>
<b>Beginning Fund Balance</b> .....	\$2,296,703	\$2,411,317	\$2,411,318	\$2,661,318	\$2,661,317	\$3,061,318
Revenues over (under) Expenditure	114,614	0	250,000	(1)	400,001	(1,200,971)
Prior Adjustments.....	0	1	0	0	0	0
<b>Ending Fund Balance</b> .....	<b>\$2,411,317</b>	<b>\$2,411,318</b>	<b>\$2,661,318</b>	<b>\$2,661,317</b>	<b>\$3,061,318</b>	<b>\$1,860,347</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget as adopted June 23, 2011.

Source: School District Annual Financial Reports and Budget.

## Revenue

The School District received \$14,192,284 in revenue in 2010-11 and has budgeted revenue of \$12,903,499 in 2011-12. Local sources decreased as a share of total revenue in the past five years, from 45.8 percent in 2006-07 to 41.0 percent in 2010-11. Revenue from State sources decreased as a share of total revenue from 52.6 percent to 50.5 percent over this period. Federal and other sources have increased as a share of total revenue during this period from 1.7 percent to 8.7 percent during this period.

**TABLE 5**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**REVENUES\***

<b>REVENUE:</b>	<b>Actual</b>					<b>Budget</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>(1)</sup></b>
<b>Local Sources:</b>						
Current Real Estate Taxes.....	\$4,113,491	\$4,123,174	\$3,775,269	\$3,778,642	\$3,830,583	\$3,866,451
Interim Real Estate Taxes .....	0	2,154	100	0	0	0
Public Utility Realty Tax .....	8,037	7,600	6,774	7,046	7,281	7,175
Current Per Capita Taxes, Sec. 679.....	19,169	19,128	18,923	18,952	18,813	18,550
Current Act 511 - Flat Rate Assessments.....	43,594	37,123	37,727	36,109	38,050	36,050
Current Act 511 - Proportional Assessments .....	484,049	457,087	571,155	501,676	502,285	475,000
Delinquency on Taxes Levies/ Assessed by the LEA .....	458,400	385,909	342,893	404,494	329,309	342,600
Earnings on Investments .....	166,373	179,220	96,149	40,271	6,566	20,000
Revenue from Student Activities .....	25,061	37,125	31,344	28,034	29,070	23,600
Federal Revenue Received from Other Intermediary Sources .....	496,688	554,400	515,265	916,147	688,043	551,120
Rentals .....	1,900	2,200	2,200	2,733	2,949	1,800
Contributions and Donations from Private Sources .....	678	7,749	3,901	27,644	17,644	0
Regular Day School Tuition.....	17,250	31,446	29,148	37,500	48,544	0
Receipts from Other LEAs in PA – Education.....	161,120	149,878	142,193	108,764	116,953	0
Other Tuition from Patrons .....	23,100	5,650	1,450	1,950	0	105,000
Refunds of Prior Years' Expenditures .....	28,589	106,267	111,333	49,478	105,789	0
All Other Local Revenues Not Specified .....	13,313	12,484	22,991	20,667	41,542	43,000
<b>Total Local Sources</b> .....	<b>\$6,060,812</b>	<b>\$6,118,596</b>	<b>\$5,708,817</b>	<b>\$5,980,107</b>	<b>\$5,783,420</b>	<b>\$5,490,346</b>
<b>State Sources:</b>						
Basic Instructional Subsidy.....	\$4,866,350	\$4,981,161	\$5,159,514	\$4,736,013	\$4,638,473	\$5,037,983
Charter Schools.....	29,974	21,203	33,757	35,706	40,284	0
Tuition for Orphans & Children in Private Homes	11,704	9,431	8,828	7,759	0	0
Driver Education – Student.....	525	945	1,715	1,260	1,190	800
Special Education – Funding for School Aged Pupils .....	613,176	629,462	642,100	650,394	645,608	641,190
Educational Assistance Program (Tutoring) .....	32,168	32,168	31,750	26,991	22,782	0
Addl. Prog. Subs. not listed in the 7000 series.....	98,673	0	1,643	0	0	0
Transportation (Regular and Additional) .....	341,067	316,015	323,403	327,990	411,451	323,400
Rental and Sinking Fund Payments .....	252,038	308,731	279,185	203,289	289,399	300,000
Health Services .....	22,785	21,644	20,905	21,333	21,102	20,000
State Property Tax Reduction Allocation.....	0	0	401,295	400,642	400,672	400,650
Extra Grants/PA Accountability Grant.....	234,776	262,220	231,432	231,432	217,023	0
Dual Enrollment Grants/Additional Grants not listed elsewhere .....	0	0	34,549	25,139	24,064	0
Revenue for Social Security Payments .....	242,794	245,670	240,095	253,816	261,658	253,630
Revenue for Retirement Payments.....	206,895	284,025	159,440	179,194	198,689	285,500
Vocational Education.....	1,018	662	655	0	0	0
<b>Total State Sources</b> .....	<b>\$6,953,943</b>	<b>\$7,113,337</b>	<b>\$7,570,266</b>	<b>\$7,100,960</b>	<b>\$7,172,393</b>	<b>\$7,263,153</b>
<b>Total Federal Sources</b> .....	<b>\$218,476</b>	<b>\$205,053</b>	<b>\$253,306</b>	<b>\$878,874</b>	<b>\$1,236,471</b>	<b>\$150,000</b>
<b>Total Other Sources</b> .....	<b>\$0</b>	<b>\$0</b>	<b>\$37,508</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL REVENUE</b> .....	<b>\$13,233,231</b>	<b>\$13,436,986</b>	<b>\$13,569,896</b>	<b>\$13,959,940</b>	<b>\$14,192,284</b>	<b>\$12,903,499</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget as adopted June 23, 2011.

Source: School District Annual Financial Reports and Budget.

**TABLE 5**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**EXPENDITURES\***

<b>EXPENDITURES:</b>	<b>Actual</b>					<b>Budget</b>
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012<sup>(1)</sup></b>
Instruction .....	\$6,806,126	\$6,961,635	\$6,963,062	\$7,362,816	\$7,200,814	\$7,735,740
Pupil Personnel .....	278,636	296,990	296,733	261,185	257,901	293,169
Instructional Staff.....	338,646	364,310	351,902	437,198	488,120	528,044
Administration .....	732,879	756,550	794,467	776,853	811,231	897,920
Pupil Health .....	158,735	174,986	166,429	170,161	174,745	181,682
Business Services.....	118,594	117,060	130,626	132,981	128,470	141,205
Operation and Maintenance of Plant Services.....	1,184,121	1,167,392	1,256,010	1,317,832	1,102,949	1,390,480
Student Transportation.....	634,163	529,876	535,847	636,389	544,350	587,395
Central & Other Support Services.....	112,368	111,356	131,504	140,893	233,540	234,280
Student Activities.....	373,726	315,376	324,349	349,154	354,989	12,000
Community Services.....	0	0	0	0	0	424,570
Debt Service (Principal & Interest).....	164,468	303,168	294,347	287,074	254,382	254,375
Transfers Out .....	2,215,719	2,338,287	2,074,621	2,087,406	2,240,792	1,353,610
Refund of Prior Year Receipts .....	436	0	0	0	0	0
Budgetary Reserve .....	0	0	0	0	0	70,000
<b>TOTAL EXPENDITURES .....</b>	<b>\$13,118,617</b>	<b>\$13,436,986</b>	<b>\$13,319,897</b>	<b>\$13,959,942</b>	<b>\$13,792,283</b>	<b>\$14,104,470</b>
<b>SURPLUS (DEFICIT) OF</b>						
<b>REVENUES OVER EXPENDITURES .....</b>	<b>\$114,614</b>	<b>\$0</b>	<b>\$250,000</b>	<b>(\$1)</b>	<b>\$400,001</b>	<b>(\$1,200,971)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Budget as adopted June 23, 2011.

Source: School District Annual Financial Reports and Budget.

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## TAXING POWERS OF THE SCHOOL DISTRICT

### In General

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

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

### The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Tax Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2012-13	2.4
2011-12	2.0
2010-11	4.0
2009-10	5.7
2008-09	6.1

Source: Pennsylvania Department of Education website.

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

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

There can be no assurance; however, that approval will be given by the board of school directors to utilize a further referendum question to the voters in any future fiscal year or years.

**Status of the Bonds Under Act 1**

The School District previously elected to become subject to the annual tax increase limitations imposed by former Pennsylvania Act 72 of 2004 (“Act 72”) (Act 72 was repealed by Act 1), however, the 2002B Bonds represent indebtedness authorized (“incurred”) by the board of school directors prior to the effective date of former Act 72. Consequently, the School District is entitled by Act 1 to apply to the Pennsylvania Department of Education (PDE) for approval to utilize an Act 1 referendum exception, if and to the extent a tax increase greater than the Index is needed to pay the principal and interest on the Bonds in any particular fiscal year (see “**The Taxpayer Relief Act**” and “**Budgeting Process in School Districts under the Taxpayer Relief Act**” herein). Act 1 provides that PDE shall approve a school district’s request if a review of the data demonstrates that the school district qualifies for the exception sought and the sum of the dollar amounts of all exceptions for which the school district qualifies is not more than what is necessary to balance the budget after giving effect to the revenue to be raised by the allowable tax increase under the Index. There can be no assurance; however, that approval will be given by PDE to utilize a referendum exception in any future fiscal year or years.

**Limitation on Estimated Ending Unreserved Undesignated Fund Balances**

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

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures<sup>(1)</sup></u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%*
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%

“Estimated Ending Unreserved Undesignated Fund Balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district. The School District’s estimated ending unreserved undesignated fund balance as a percentage of total budgeted expenditures for the 2011-12 budget is shown on Page 11 herein under “Summary and Discussion of Financial Results”.

\*Applicable to the School District.

<sup>(1)</sup>Effective June 30, 2011, GASB 54 fund designations renamed.

**Tax Levy Trends**

Table 6 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, the municipalities within the School District and the County.

**TABLE 6  
WEST MIDDLESEX AREA SCHOOL DISTRICT  
TAX RATES**

	<b>Real Estate (mills)</b>	<b>Per Capita<sup>(1)</sup> (\$)</b>	<b>Wage and Income (%)</b>	<b>Local Services Tax (\$)</b>
2007-08.....	62.02	10.00	0.50	5.00
2008-09.....	62.02	10.00	0.50	5.00
2009-10.....	62.02	10.00	0.50	5.00
2010-11.....	62.02	10.00	0.50	5.00
2011-12.....	62.02	10.00	0.50	5.00

<sup>(1)</sup>A \$10.00 tax is levied, \$5.00 under Act 511 and \$5.00 under School Code.  
Source: School District officials.

**TABLE 7  
WEST MIDDLESEX AREA SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<i>School District</i> .....	62.020	62.020	62.020	62.020	62.020
Lackawannock Township.....	3.333	3.333	3.333	3.333	3.333
Shenango Township .....	7.000	7.000	8.000	8.000	8.000
West Middlesex Borough .....	17.500	17.500	17.500	19.500	19.500
Mercer County.....	20.750	20.750	22.750	22.750	22.750

Source: Department of Community & Economic Development "DCED" website "Municipal Statistics Tax Reports".

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## Real Property Tax

The real property tax (excluding delinquent collections) produced \$3,830,583 in 2010-11, or approximately 27.0 percent of revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty. The School District adopted a Resolution in fiscal year 2006-07 permitting the payment of real property taxes for residential properties with the homestead purpose exception to pay in installment plans on August 10, October 10 and December 10 (no discounts will be given for early payments).

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data.

**TABLE 8**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**REAL PROPERTY ASSESSMENT DATA**

<b>Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Ratio</b>
2006-07.....	\$274,959,900	\$72,847,050	26.49%
2007-08.....	277,604,900	73,411,300	26.44%
2008-09.....	293,580,576	73,374,480	24.99%
2009-10.....	294,086,206	73,507,750	25.00%
2010-11.....	311,507,007	73,706,000	23.66%
Compound Average Annual Percentage Change.....	2.10%	0.20%	

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2009-10 Market Value</b>	<b>2009-10 Assessed Value</b>	<b>2010-11 Market Value</b>	<b>2010-11 Assessed Value</b>
<i>School District</i> .....	\$ 294,086,206	\$ 73,507,750	\$ 311,507,007	\$ 73,706,000
Lackawannock Township.....	81,017,369	20,094,350	86,503,549	20,103,800
Shenango Township.....	185,770,536	44,109,850	194,081,592	44,253,450
West Middlesex Borough.....	27,298,301	9,303,550	30,921,867	9,348,750
Mercer County.....	4,422,908,301	1,180,985,101	4,521,396,634	1,158,055,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**ASSESSMENT BY LAND USE**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Residential.....	\$47,034,600	\$47,329,150	\$41,079,200	\$47,359,250	\$47,432,950
Lots.....	719,150	717,450	733,000	732,250	725,100
Industrial.....	193,800	193,800	193,800	193,800	193,800
Commercial.....	14,695,700	14,659,550	14,621,330	14,693,900	14,712,050
Agriculture.....	9,521,900	9,832,250	9,869,550	9,817,650	9,915,750
Land.....	681,900	679,100	678,100	710,900	726,350
Trailers.....	0	0	6,199,500	0	0
<b>Totals</b> .....	<b>\$72,847,050</b>	<b>\$73,411,300</b>	<b>\$73,374,480</b>	<b>\$73,507,750</b>	<b>\$73,706,000</b>

Source: Pennsylvania State Tax Equalization Board.

**TABLE 11**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**REAL PROPERTY TAX COLLECTION DATA**

	<b>Adjusted Levied<sup>(1)</sup></b>	<b>Millage</b>	<b>Current Collections Amount</b>	<b>Current Year Collections as Percent</b>	<b>Total Collections Amount<sup>(2)</sup></b>	<b>Total Collections as Percent</b>
2006-07 .....	\$4,551,968	62.02	\$4,113,491	90.4%	\$4,571,891	100.44%
2007-08 .....	4,484,100	62.02	4,123,174	92.0%	4,509,083	100.56%
2008-09 <sup>(3)</sup> .....	4,553,598	62.02	3,775,269	82.9%	4,118,162	90.44%
2009-10 <sup>(3)</sup> .....	4,176,680	62.02	3,778,642	90.5%	4,183,135	100.15%
2010-11 <sup>(3)</sup> .....	4,160,524	62.02	3,830,583	92.1%	4,156,892	99.91%

<sup>(1)</sup>Flat billing plus penalties, less discounts, rebates and exonerations.

<sup>(2)</sup>Includes delinquent realty taxes collected only.

<sup>(3)</sup>Beginning in 2008-09 the amount of the Adjusted Levy is reduced by the amount of the Homestead/Farmstead Exemptions. The Adjusted levy shown excludes the amount payable from the Property Tax and Rent Rebate Program funded pursuant to Act 1 of the Commonwealth.  
Source: School District Financial Reports.

The ten largest real property taxpayers, together with 2012 assessed values, are shown on Table 12. The aggregate assessed value of these ten taxpayers' totals approximately 10.99 percent of the total assessed value of the School District.

**TABLE 12**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**TEN LARGEST REAL PROPERTY TAXPAYERS, 2011-12**

<b>Owner</b>	<b>Property</b>	<b>2012 Assessed Value</b>
Estes Express Lines	Truck Terminal	\$1,456,200
Travagilini Enterprises Inc.	Hotel	1,308,750
Newberry Apartments	Apartments	1,020,100
Winner Hotels Corporation	Motel	879,100
Dow Jones Co. Inc.	Industrial	723,950
Suprema International	Motel	621,650
OHM Associates Inc.	Motel	569,900
Lakeshore Distribution, LLC	Truck Terminal	549,050
Campbell, Robert Trustee	Manufacturing	554,000
Chevron	Industrial	419,150
<b>Total</b>		<b>\$8,101,850</b>

Source: School District officials.

**Other Taxes**

The School District under Act 511 collected \$540,335 in other taxes in 2010-11. Of the various taxes authorized by Act 511, Wage and Income and Per Capita taxes are levied by the School District. Its limit under Act 511, equal to 12 mills on the market value of real property, was \$3,738,084.

*Wage and Income Tax.* A Tax of 0.5 percent is levied on the earned income of residents of the School District. In 2010-11, the School District collected \$502,285 or 3.5 percent of total revenue.

*Per Capita Taxes.* A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) is levied on each resident over 18 years old. In 2010-11, the School District's collected portion of this tax yielded \$18,813 or less than one percent of total revenue.

*Local Services Tax.* A tax of \$5.00 is levied on each person with an occupation. In 2010-11 the collected portion of this tax yielded \$19,237 or less than one percent of total revenue.

**State Aid to School Districts**

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the State. School districts also receive subsidies for special education, pupil transportation; vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Market Value Aid Ratio ("MVAR"). The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 44.23 percent. The School District MVAR for the 2011-12 school year is currently 68.25 percent. The product of these two factors is 30.19 percent which is the percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's MVAR changes, or by future legislation.

**DEBT AND DEBT LIMITS**

**Debt Statement**

Table 13 which follows shows the debt of the School District as of February 15, 2012, including the issuance of the Bonds.

**TABLE 13**

**WEST MIDDLESEX AREA SCHOOL DISTRICT  
DEBT STATEMENT  
(As of February 15, 2012)\***

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
General Obligation Bonds, Series of 2012 (last maturity 2023) .....	\$ 3,575,000
General Obligation Bonds, Series B of 2011 (last maturity 2021).....	1,740,000
General Obligation Bonds, Series A of 2011 (last maturity 2030) .....	8,205,000
General Obligation Bonds, Series of 2009 (last maturity 2024) .....	3,890,000
General Obligation Notes, Series of 2009 (last maturity 2029) .....	1,296,206
General Obligation Bonds, Series of 2007 (last maturity 2016) (remaining portion) .....	470,000
General Obligation Bonds, Series A of 2002 (CABS)(last maturity 2032) .....	350,515
<b>TOTAL NONELECTORAL DEBT</b> .....	<b>\$19,526,721</b>
<b>LEASE RENTAL DEBT</b>	
<b>TOTAL LEASE RENTAL DEBT</b> .....	<b>\$ 0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	<b>\$19,526,721</b>

\*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the 2002B Bonds being refunded herein.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$19,526,721. After adjustment for available funds and estimated State Aid, and assuming approval by the Department of Education, local effort of direct debt will total \$15,912,144.

**TABLE 14**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of February 15, 2012)**

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt.....	\$19,526,721	\$15,912,144
Lease Rental Debt.....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<b>\$19,526,721</b>	<b>\$15,912,144</b>
<b>OVERLAPPING DEBT</b>		
Mercer County, General Obligation Debt <sup>(2)</sup> .....	\$3,994,372	\$3,994,372
Municipal Debt.....	5,773,658	5,773,658
<b>TOTAL OVERLAPPING DEBT</b> .....	<b>\$9,768,029</b>	<b>\$9,768,028</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<b>\$29,294,750</b>	<b>\$25,680,172</b>
<b>DEBT RATIOS</b>		
Per Capita (2010).....	\$3,930.07	\$3,445.15
Assessed Value (2010-11) .....	39.75%	34.84%
Market Value (2010-11) .....	9.40%	8.24%

\*Includes the estimated Bonds offered through this Preliminary Official Statement. Excludes the 2002B Bonds being refunded herein.

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current Aid Ratio. See "State Aid to School Districts".

<sup>(2)</sup>Pro rata 6.9 percent of \$57,976,668 principal amount outstanding.

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**Debt Limit and Remaining Borrowing Capacity**

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2008-09 .....	\$13,290,712
Total Revenues for 2009-10 .....	13,756,651
Total Revenues for 2010-11 .....	<u>13,902,885</u>
Total Revenues past 3 years .....	\$40,950,248
Annual Arithmetic Average (Borrowing Base) .....	\$13,650,083

Under the Act as presently in effect, new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<b><u>Legal Limit</u></b>	<b><u>Net Debt Outstanding*</u></b>	<b><u>Remaining Borrowing Capacity</u></b>
<b>Net Nonelectoral and Lease Rental Debt Limit:</b>			
225% of Borrowing Base .....	\$30,712,686	\$19,526,721	\$11,185,965

\*Includes the estimated Bonds described and excludes the 2002B Bonds being refunded herein; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State aid.

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**Debt Service Requirements**

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**DEBT SERVICE REQUIREMENTS\***

<b>Year</b>	<b>Other Outstanding General Obligation Debt</b>	<b>Series of 2012</b>			<b>Total Requirements</b>
		<b>Principal</b>	<b>Interest</b>	<b>Subtotal</b>	
2011-12	\$ 933,457				
2012-13	1,037,240				
2013-14	1,106,676				
2014-15	1,090,683				
2015-16	1,097,826				
2016-17	1,118,747				
2017-18	1,111,248				
2018-19	1,104,177				
2019-20	1,086,286				
2020-21	1,085,413				
2021-22	1,016,476				
2022-23	912,905				
2023-24	1,297,067				
2024-25	1,175,978				
2025-26	1,176,767				
2026-27	1,175,626				
2027-28	1,172,332				
2028-29	1,176,852				
2029-30	1,099,913				
2030-31	1,100,441				
2031-32	935,000				
<b>Total</b>	<b>\$23,011,105</b>				

\*Totals may not add due to rounding.

**TABLE 16**  
**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
**COVERAGE OF DEBT SERVICE AND LEASE RENTAL**  
**REQUIREMENTS BY STATE AID\***

2010-11 State Aid Received.....	\$7,172,393
2010-11 Debt Service Requirements.....	2,495,174
Maximum Future Debt Service Requirements after Issuance of Bonds .....	
Coverage of 2010-11 Debt Service Requirements.....	2.87 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds .....	times

\*Assumes current State Aid Ratio. See "State Aid to School Districts."

**Future Financing**

The School District does not anticipate issuing additional long-term within the next 2-3 years.

## LABOR RELATIONS

### School District Employees

There are presently 172 professional/instructional employees of the School District are represented for purposes of collective bargaining by the West Middlesex Area Educational Association (WMEA), an affiliate of the Pennsylvania State Education Association (PSEA). The current five-year agreement between the School District and the WMEA expires on August 31, 2017.

Non-instructional support employees are represented for purposes of collective bargaining by the West Middlesex Educational Support Personnel Association (WMESP). WMESP is an affiliate of the Educational Support Personnel Association, a sub-division of the Pennsylvania State Education Association (PSEA). The current five-year agreement between the School District and the WMESP expires on June 30, 2016.

### Pension Program

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on November 15 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E, will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier of 2.5%. On December 11, 2009, the PSER Board certified a new employer rate, to be paid by the School District, of 8.22% for the 2010-11 fiscal year. In accordance with Senate Bill 1042 enacted on July 6, 2010, this rate was recertified at 5.64% for 2010-11 fiscal year. The calculated employer contribution rate for the 2011-12 fiscal year is 8.65%, the Board of Trustees certified this rate at their December 2010 meeting. The calculated employer contribution rate for the 2012-13 fiscal year is 12.36%, the Board of Trustees certified this rate at their December 2011 meeting. For the fiscal years ending June 30, 2012, June 30, 2013, and on or after June 30, 2014, the pension contribution rate can be no more than 3%, 3.5% and 4.5%, respectively, of total compensation of all active members, greater than the prior year's final contribution rate. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted monthly for each paycheck and remitted quarterly. Recent School District payments, net of reimbursement, have been as follows:

2007-08	\$445,458
2008-09	\$301,619
2009-10	\$312,498
2010-11	\$325,990
2011-12(budgeted)	\$576,676

The School District is current in all payments. Future projections are indicating increases in the contribution rate for future years and for further discussions of these increases please refer to the PSERS web site listed below.

PSERS is the 17th largest defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. In the fall of 2010, the PSERS completed its process of publishing financial statements for the year ended June 30, 2010, in compliance with reporting standards established by the Government Accounting Standards Board's Statement No. 25 and Statement No. 26. PSERS' total plan net assets increased by \$2.6 billion from \$43.2 billion at June 30, 2009 to \$45.8 billion at June 30, 2010. This increase was due to net investment income plus member and employer contributions exceeding the deductions for benefits and administrative expenses. However, despite the increase during the 2010 fiscal year of PSERS, total plan net assets from June 30, 2008 to June 30, 2009 fell in the amount of \$19.5 billion, from \$62.7 billion at June 30, 2008 to \$43.2 billion. This decrease was due to net investment loss and payment of pension benefits and administrative expenses which, when combined, exceeded member and employer contributions. The Fund's complete report is available on the PSERS website on the Internet: [www.psers.state.pa.us](http://www.psers.state.pa.us).

## **Other Post-Employment Benefits**

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District became subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009.

## **LITIGATION**

At the time of settlement, the School Board and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds. Currently, there is no litigation pending or threatened.

## **DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, is the right of holders of the Bonds to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Bond Counsel, assuming compliance by the School District with the covenants referred to below, the interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted that with respect to corporations (as defined in the Code for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The School District has covenanted to comply with all such requirements.

The School District will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be or become "arbitrage bonds" as described in Section 103(b)(2) and Section 148 of the Code, as contemplated by the United States Treasury regulations relating to "arbitrage bonds."

Bond Counsel is also of the opinion that the Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth of Pennsylvania, or by any of its political subdivisions, under present statutory and case law.

### **Federal Alternative Minimum Tax Calculations**

Under the Code, the federal alternative minimum taxable income of a corporation is based in part upon the adjusted current earnings of the corporation, which includes interest on the Bonds held by the corporation, although such interest with respect to the Bonds may not be includable in gross income for calculations of regular federal income tax liability.

A prospective corporate purchaser of the Bonds should consult its professional tax advisors as to the potential impact upon its income tax liability.

### **Taxable Social Security and Railroad Retirement Benefits Calculation**

Interest on the Bonds is included in modified adjusted gross income in determining the portion of Social Security or railroad retirement benefits to be included in an individual taxpayer's gross income for federal income tax purposes.

A prospective purchaser of the Bonds who is receiving Social Security or railroad retirement benefits should consult his or her professional tax advisors as to the effect interest income derived from the Bonds may have upon his or her income tax liability.

## **Financial Institutions' Cost of Carrying Tax-Exempt Bonds**

Under the Code, financial institutions will be denied 100 percent of their interest expense deductions that are allocable, by formula, to tax-exempt obligations acquired after August 7, 1986 except for obligations designated Qualified Tax-Exempt Obligations under Section 265(b)(3) of the Code.

**The Bonds described in this Preliminary Official Statement have been deemed designated or have been designated by the School District as "Qualified Tax-Exempt Obligations" for purposes and effect contemplated by Section 265 of the Code (concerning expenses and interest relating to tax-exempt income of certain financial institutions).**

A financial institution purchasing or holding the Bonds should consult its professional tax advisors to determine the effect of the interest expense disallowance related to tax-exempt bonds upon its federal income tax liability.

## **Property and Casualty Insurance Company Income Taxes**

Under the Code, a property and casualty insurance company, in any taxable year, must reduce its deduction for "losses incurred" by a percentage of the tax-exempt interest received by such property and casualty insurance company during the taxable year.

In addition, a portion of the dividends received by a property and casualty insurer attributable to tax-exempt income is not deductible by the insurer for federal income tax purposes.

The Code provides generally that these provisions are effective for tax years beginning after December 31, 1986, and with respect to obligations acquired after August 7, 1986, but a property and casualty insurer should consult its professional tax advisors for a full explanation of the effect of these provisions upon its income tax liability.

## **Tax on Excess Passive Net Income of S Corporation**

An S corporation may be subject to federal income taxation on passive investment income including interest on the Bonds, if the S corporation has subchapter C earnings and profits at the close of the taxable year and the S corporation's passive investment income exceeds 25% of its gross receipts for the taxable year.

A prospective purchaser of the Bonds which is an S corporation should consult its professional tax advisors as to the effect of interest income from the Bonds on its tax liability.

## **Branch Profits Tax**

Interest on the Bonds held by a foreign corporation could be subject to a branch profits tax imposed by Section 884 of the Code.

A prospective foreign corporate purchaser of the Bonds may wish to consult its professional tax advisors as to the impact of the branch profits tax on its U.S. tax liability.

## **Interest Reporting Requirements**

Under the Code, all taxpayers are required to report on their federal income tax returns the amount of interest received during the year that is exempt from federal income tax. This provision applies to interest on all tax-exempt bonds including the Bonds.

## **Market Discount**

A tax-exempt bond such as a Bond if acquired by purchase after April 30, 1993, other than at original issuance, is a "market discount bond" if the bond is purchased at a price less than its stated principal amount (or, in the case of a bond issued with original issue discount, its issue price increased for accruals of original issue discount), with such difference being the amount of "market discount". If a holder recognizes gain on the disposition of a market discount bond (including by early redemption or gift), a portion of the gain (up to the amount of market discount that accrued while the bond was held by such holder) will be treated as ordinary income and not as capital gain. For this purpose, market discount accrues on a straight-line basis or, if elected by the holder, on a constant interest rate basis; the election, on a bond-by-bond basis, is irrevocable once made.

The holder of a market discount bond may elect to include the market discount in income as taxable interest income as the market discount accrues. The current inclusion election, once made, applies to all market discount obligations acquired by such holder on or after the first day of the first taxable year in which the election applies, and may not be revoked without the permission of the Internal Revenue Service. If the current inclusion election is made, the holder's tax basis in the market discount bond is increased by the amount of market discount accruals included in income.

## Original Issue Discount

The Bonds maturing on June 15, \_\_\_\_\_ (the "Tax-Exempt Discount Bonds"), are being offered and sold to the public at original issue discount ("OID") from the amounts payable at their maturity. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the same maturity are sold pursuant to that initial offering. For Federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Tax-Exempt Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Tax-Exempt Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns such Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Tax-Exempt Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Tax-Exempt Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Tax-Exempt Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## Tax Treatment of Premium

The Bonds that mature on June 15, \_\_\_\_\_ are being offered and sold to the public at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

## CONTINUING DISCLOSURE UNDERTAKING

The School District covenants to provide, pursuant to Rule 15c2-12(b) (the "Rule") promulgated by the Securities and Exchange Commission, for the benefit of the holders of the Bonds certain financial and operating data on an annual basis in accordance herewith. Under the terms of the Rule, the School District (being an "obligated person" within the meaning of the Rule) agrees:

(i) to provide at least annually to the Municipal Securities Rulemaking Board (the "MSRB"), the following annual financial information and operating data with respect to the School District for each of its fiscal years, beginning with the fiscal year ending June 30, 2012, within 180 days following the end of such fiscal year:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards;
- a summary of the budget for the new fiscal year;
- the aggregate assessed value and aggregate market value of all taxable real estate for the new fiscal year;
- the taxes and millage rates imposed for the new fiscal year;
- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount);
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the new fiscal year; and
- pupil enrollment figures, including enrollment at the end of the most recent fiscal year, current enrollment and projected enrollment for the beginning of the next fiscal year, including a breakdown between elementary and secondary enrollment (to the extent reasonably feasible);

(ii) in a timely manner not in excess of ten business days after the occurrence of the event, to file with the MSRB notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the School District; (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(iii) to provide, in a timely manner, to the MSRB, notice of the failure of the School District to provide the information set forth in subparagraph (i) above on or before the date specified above.

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

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

The School District may modify from time to time the specific types of information provided or the format of the presentation of such information, as a result of a change in legal requirements or change in the nature of the School District; provided that any such modification will be done in a manner consistent with the SEC Rule 15c2-12 including amendments thereto and will not, in the opinion of nationally recognized bond counsel, violate the Rule, as amended.

Any filing under the Continuing Disclosure Undertaking may be made solely by transmitting such filing to the MSRB through its Electronic Municipal Market Access (EMMA) system for municipal securities disclosures.

Due to change in School District administration, the School District unintentionally failed to submit the necessary information for fiscal years ending June 30, 2009, 2010 and 2011. The School District filed the required Annual Disclosure information for years ending June 30, 2009 on May 13, 2010, year ending June 30, 2010 on January 28, 2011 and year ending June 30, 2011 on February 16, 2012 through the MSRB's EMMA System. The School District has procedures in place to ensure ongoing timely filings of their annual disclosure requirement going forward.

## **RATINGS**

Standard & Poor's Ratings Group has assigned its underlying rating of "\_\_\_\_\_" to this issue of Bonds. Standard & Poor's Ratings Group is expected to assign its municipal bond rating of "\_\_\_\_\_" to this issue of Bonds, based upon the issuance by \_\_\_\_\_ of its municipal bond insurance policy. Such rating reflects only the view of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: 55 Water Street, 38<sup>th</sup> Floor, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased for a purchase price of \$\_\_\_\_\_, equal to the par value of the Bonds less an underwriters' discount of \$\_\_\_\_\_ plus a net original issue premium of \$\_\_\_\_\_.

## **LEGAL OPINION**

The Bonds are offered with the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, Pittsburgh, Pennsylvania. Certain legal matters will be passed upon for the School District by James Nevant, II, Esquire, Pennsylvania, School District Solicitor.

## **FINANCIAL ADVISOR**

The School District has retained Public Financial Management, Inc., Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **MISCELLANEOUS**

This Preliminary Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

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

**WEST MIDDLESEX AREA SCHOOL DISTRICT**  
Mercer County, Pennsylvania

By: /s/ Tracy C. Hemminger  
President, Board of School Directors

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**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the West Middlesex Area School District**

**Population**

Table A-1 shows recent population trends for the School District, Mercer County and the Commonwealth. Table A-2 shows 2000 age composition and average number of persons per household in Cumberland County and for the Commonwealth.

**TABLE A-1  
RECENT POPULATION TRENDS**

<b>Geographic Area</b>	<b>Census: April 2010</b>	<b>Census: April 2000</b>	<b>Change: 2000 to 2010</b>	
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Percent</b>
Lackawannock Township	2,662	2,561	101	0.39%
Shenango township.....	3,929	4,037	-108	-0.27%
West Middlesex Borough	863	929	-66	-0.73%
<i>School District</i> .....	7,454	7,527	-73	-0.10%
<i>Mercer County</i> .....	<b>166,638</b>	<b>120,293</b>	46,345	3.31%
<i>Pennsylvania</i> .....	<b>12,702,379</b>	<b>12,281,054</b>	421,325	0.34%

Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data .

**TABLE A-2  
AGE COMPOSITION**

	<b>0-17</b>	<b>18-64</b>	<b>65+</b>	<b>Persons Per</b>
	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Years</u></b>	<b><u>Household</u></b>
Mercer County .....	23.5%	59.4%	17.2%	2.54
Pennsylvania.....	23.5	61.1	15.4	2.57

Source: Pennsylvania State Data Center, Summary of General Population Characteristics 2000.

## Employment

Overall employment data is not compiled for the School District but is compiled for the New Castle Micropolitan Statistical Area (the "MSA") (an area which includes the School District).

Table A-3 shows the distribution of employment for the MSA for December 2011.

**TABLE A-3  
DISTRIBUTION OF EMPLOYMENT\***

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	Dec. 2011	Nov. 2011	Oct. 2011	Dec. 2010	Nov. 2011	Dec. 2010
<b>TOTAL NONFARM</b> .....	<b>30,900</b>	31,100	31,200	30,800	-200	100
<b>TOTAL PRIVATE</b> .....	<b>26,300</b>	26,500	26,700	26,200	-200	100
<b>GOODS-PRODUCING</b> .....	<b>5,200</b>	5,400	5,600	5,200	-200	0
Mining, Logging and Construction .....	<b>1,700</b>	1,900	2,000	1,600	-200	100
Manufacturing .....	<b>3,500</b>	3,500	3,600	3,600	0	-100
<b>SERVICE-PROVIDING</b> .....	<b>25,700</b>	25,700	25,600	25,600	0	100
Trade, Transportation, and Utilities .....	<b>5,900</b>	5,900	5,900	5,900	0	0
Transportation, Warehousing and Utilities	<b>4,600</b>	4,600	4,600	4,600	0	0
Wholesale Trade .....	<b>1,000</b>	1,000	1,000	1,000	0	0
Retail Trade .....	<b>3,600</b>	3,600	3,600	3,600	0	0
Financial Activities .....	<b>1,400</b>	1,400	1,400	1,500	0	-100
Professional and Business Services .....	<b>2,500</b>	2,500	2,500	2,400	0	100
Educational and Health Services .....	<b>7,000</b>	6,900	6,900	6,900	100	100
Leisure and Hospitality .....	<b>2,300</b>	2,400	2,400	2,300	-100	0
Other Services .....	<b>1,500</b>	1,500	1,500	1,500	0	0
Government .....	<b>4,600</b>	4,600	4,500	4,600	0	0
Local Government .....	<b>3,500</b>	3,500	3,400	3,500	0	0
Data benchmarked to March 2010				***Data changes of 100 may be due to rounding***		

Source: Pennsylvania State Employment Service.

Table A-4 shows recent trends in labor force, employment and unemployment for Mercer County and the Commonwealth.

**TABLE A-4  
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
(Mercer County)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011<sup>(1)</sup></u>	Compound Average Annual % Rate
<b><i>Mercer County</i></b>							
Civilian Labor Force (000) ..	55.2	55.0	55.2	54.6	53.7	53.1	-0.77%
Employment (000) .....	52.2	52.0	51.3	48.5	47.8	48.6	-1.42%
Unemployment (000) .....	3.0	3.0	3.9	6.1	5.9	4.5	8.45%
Unemployment Rate .....	5.5%	5.5%	7.0%	11.2%	10.9%	8.5%	
<b><i>Pennsylvania</i></b>							
Civilian Labor Force (000) ..	6,281.0	6,297.0	6,395.0	6,383.0	6,340.0	6,340.0	0.20%
Employment (000) .....	5,996.0	6,023.0	6,051.0	5,870.0	5,791.0	5,791.0	-0.41%
Unemployment (000) .....	285.0	274.0	344.0	514.0	549.0	549.0	10.57%
Unemployment Rate .....	4.5%	4.4%	5.4%	8.0%	8.7%	8.7%	

<sup>(1)</sup>As of December 2011.

Source: Pennsylvania State Employment Service.

Major employers within or near the School District include:

<i>Employer</i>	<i>Major Product/Services</i>	<i>Current Number of Employees</i>
Estes Express Lines	Truck Terminal	425
West Middlesex Area School District	Public Education	214
Pitt-Ohio Express	Truck Terminal	150
Winner Hotels	Motels/Hotels	125
Chevron	Industrial Products	108
T. Bruce Campbell Construction, Inc.	Construction	96
T. Bruce Sales	Machinery Builders	96
Regenex Corporation	Vinyl Recycling & Remanufacturing	77
Oak Tree Country Club	Recreational	72
Dairy Farmers	Dairy Products	72

Source: School District officials.

**Income**

Table A-5 shows recent trends in per capita income for the School District, Mercer County and Pennsylvania over the 2000-2009 period. Per capita incomes in the County and for the Commonwealth are higher than per capita income in the School District.

**TABLE A-5  
RECENT TRENDS IN PER CAPITA INCOME\***

<b>Geographic Area</b>	<b>2000 Number</b>	<b>2009 Number</b>	<b>Percent</b>
<i>School District</i> .....	\$16,869	\$24,621	4.29%
Mercer County.....	17,636	21,661	2.31%
Pennsylvania.....	20,880	26,678	2.76%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2009: U.S. Census Bureau, 2005-2009 American Community Survey.

Table A-6 shows trends for retail sales for the MSA, Mercer County and the Commonwealth.

**TABLE A-6  
TOTAL RETAIL SALES  
(Millions of Dollars)**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Mercer County.....	\$ 2,106,064	\$ 1,964,002	\$ 1,899,334	\$ 1,876,799	\$ 2,039,420
Pennsylvania.....	195,558,005	N/A	180,948,327	174,483,292	188,193,104

Source: Sales and Marketing Management Magazine

## **Educational Institutions**

The Mercer County Career Center provides vocational and technical education for both high school students and adults.

There are four institutions of higher learning located within Mercer County. The three private institutions are Butler County Community College in Hermitage, Grove City College in Grove City and Thiel College in Greenville. The State-related Shenango Valley Campus of Pennsylvania State University is located in downtown Sharon. In addition, students may also travel a short distance to Westminster College at New Wilmington; Slippery Rock State College at Slippery Rock; Allegheny College at Meadville; Youngstown State University at Youngstown, Ohio; and Edinboro State College at Edinboro.

## **Medical Facilities**

Five hospitals are located throughout the County and lie within close proximity of the School District. These are Sharon Regional Health System, UPMC Horizon Shenango Valley and Greenville, United Community Hospital and Jameson Hospital and St. Francis Hospital of New Castle. There are approximately twelve nursing homes which are located throughout the County which provide a variety of medical care for the community.

## **Communication**

The Herald, published in neighboring Sharon, Pennsylvania, and the Pittsburgh Post Gazette, are both circulated on a daily basis throughout the area. WPIC-AM broadcasts from Hermitage, and six other local radio stations are found throughout the County. Time Warner Cable provides cable television on a subscription basis in the area, and the major television stations from the City of Pittsburgh are received throughout the County.

## **Recreation**

Moraine State Park, which offers ample facilities for boating, swimming and picnicking lies approximately one-half hour south of the School District near the City of New Castle, Pennsylvania. Oak Tree Country Club a private establishment which offers such facilities as an eighteen-hole golf course and swimming pool is located in Shenango Township. Two public golf courses, i.e. Tam-O-Shanter and Yankee Run, both lie within ten miles of the School District. In addition, the City of Sharon offers several parks and swimming pool.

## **Transportation**

The School District is easily accessible via Interstate Routes 79 and 80, State Route 18, State Route 318, State Route 376 and State Route 518. State Routes 932 and 551 provide additional access to the School District, and U.S. Route 422 lies some ten miles south of the area. Pittsburgh International Airport is approximately one hour southeast of the School District.

## **Public Utilities and Services**

Electric generation service is supplied by Strategic Energy LLC while transmission and distribution are supplied by Penn Power Company; natural gas is supplied by First Energy and delivered by national Fuel Distribution Corp. Verizon provides telephone service; water and sewage services are provided by the Consumer's Pennsylvania Water Company and the West Middlesex Municipal Sanitary Authority, respectively. Police is provided by the Southwest Regional Police Department, Shenango Township, and through the Mercer Barracks of the Pennsylvania State Police. Fire protection is provided primarily by the Component Municipality of West Middlesex Borough, and ambulance/EMT services are provided to the area by independent services.

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**APPENDIX B**  
**Opinion of Bond Counsel**

## FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Eckert Seamans Cherin & Mellott, LLC, has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

We have acted as Bond Counsel in connection with the issuance by the West Middlesex Area School District (the "Issuer") located in the County of Mercer, Pennsylvania, of \$3,575,000\* aggregate principal amount General Obligation Bonds, Series of 2012 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, except to the extent, if any, stated in the Official Statement, and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Issuer.
2. The Issuer has effectively covenanted to include the amount of the debt service on the Bonds for each fiscal year in which such sums are due in its budget for that year, to appropriate such amounts to the payment of debt service, and to punctually pay or cause to be paid the principal of the Bonds and the interest thereon at the dates and places and in the manner stated in the Bonds.
3. The interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted with respect to corporations (as defined for federal income tax purposes), such interest on and accruals of original issue discount are taken into account in determining adjusted current earnings for the purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of original issue discount with respect to a Bond allocable to an owner of the Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption or other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. The Issuer has designated the Bonds as Qualified Tax-Exempt Obligations within the



meaning of Section 265(b)(3) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from Pennsylvania state and local personal income tax.

5. Under the Probate, Estates and Fiduciaries Code of Pennsylvania (the “PEF Code”), the Bonds are authorized investments for fiduciaries and personal representatives, as defined in said PEF Code, in Pennsylvania.

6. The offering and sale of the Bonds is exempt from registration under the Securities Act of 1933 and Pennsylvania securities law, and neither the Issuer’s Resolution adopted February 27, 2012 authorizing the issuance of the Bonds nor any other document relating to the issuance of the Bonds need be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

**APPENDIX C**  
**Audited Financial Report**

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND BASIC FINANCIAL STATEMENTS

AS OF JUNE 30, 2011

TOGETHER WITH INDEPENDENT AUDITORS'  
REPORT AND SUPPLEMENTAL INFORMATION

**Black, Bashor & Porsch, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**Black, Bashor & Porsch, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Alan J. Porsch, CPA  
Nancy J. Black, CPA  
Ruth Ann Sholler, CPA  
Jason E. Tomko, CPA

December 27, 2011

To the Members of the Board:

We have performed the single audit of the West Middlesex Area School District for the fiscal year ended June 30, 2011, and have enclosed the single audit reporting package.

The single audit was done to fulfill the requirements described in the "U.S. Office of Management and Budget" (OMB) Circular A-133. It entailed: (1) an audit of the basic financial statements and our opinion thereon; (2) a review of compliance based on an audit of the basic financial statements and on internal control over financial reporting; (3) an audit of the schedule of expenditures of federal awards and our opinion thereon; (4) a study and evaluation of internal controls based on a study and evaluation of the federal financial assistance programs.

In connection with our audit, we have issued a management recommendation letter for the year ended June 30, 2011.

Sincerely,



BLACK, BASHOR & PORSCH, LLP  
Certified Public Accountants

**Black, Bashor & Porsch, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Ruth Ann Sholler, CPA  
Jason E. Tomko, CPA

December 27, 2011

**TO WHOM IT MAY CONCERN:**

The distribution of the West Middlesex Area School District financial statements consists of the following:

West Middlesex Area School District Board of Directors  
Superintendent  
Business Manager/Board Secretary

Electronically  
Filed

Federal Audit Clearinghouse  
1201 East 10th Street  
Jeffersonville, Indiana 47132

Electronically  
Filed

Bureau of Audits  
Forum Place  
8th Floor  
555 Walnut Street  
Harrisburg, Pennsylvania 17101

Sincerely,



BLACK, BASHOR & PORSCH, LLP  
Certified Public Accountants

WEST MIDDLESEX AREA SCHOOL DISTRICT

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WEST MIDDLESEX AREA SCHOOL DISTRICT

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Jason E. Tomko, CPA

December 27, 2011

Board of Directors  
West Middlesex Area School District  
West Middlesex, Pennsylvania 16159

Ladies and Gentlemen:

**INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Middlesex Area School District, Pennsylvania, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Middlesex Area School District, Pennsylvania, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.



In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the West Middlesex Area School District, Pennsylvania, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated December 27, 2011, on our consideration of West Middlesex Area School District, Pennsylvania, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and retiree health plan information on pages 4 to 12, 63 to 64, and 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Middlesex Area School District, Pennsylvania, basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and the supplemental schedules and related information identified in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Black, Bashor & Porsch, LLP*

---

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

The discussion and analysis of the West Middlesex Area School District's financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2011. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- In total, net assets increased \$ .9 million. Net assets of governmental activities increased by \$ .9 million, whereas, net assets of business-type activities increased approximately \$ 1 thousand.
- Total revenues were \$ 14.63 million. General revenues accounted for \$ 10.92 million, or 75 percent of all revenues. Program specific revenues, in the form of charges for services and grants, accounted for \$ 3.71 million, or 25 percent of total revenues.
- The School District had \$ 13.24 million in expenses related to governmental activities, \$ 3.21 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$ 10.92 million covered the rest of the expenses, resulting in an increase in net assets of \$ .9 million.
- At the end of the current fiscal year, the unassigned fund balance of the general fund was \$ 1.34 million, or 9.7 percent of total general fund expenditures and other financing uses.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the West Middlesex Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds. In the case of the West Middlesex Area School District, the general fund is by far the most significant fund.

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

REPORTING THE SCHOOL DISTRICT AS A WHOLE

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets and the Statement of Activities -

While this document contains the various funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer the question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, student enrollment, facility conditions, required education programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two (2) distinct kinds of activities:

- Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover the expenses of the goods or services provided. The School District Food Service program is reported as a business activity.

The Governmental Funds Balance Sheet can be found on page 16 of this report.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

The analysis of the School District's major funds begins on page 16. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the capital reserve fund.

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

GOVERNMENTAL FUNDS

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balance left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance education programs. The relationships (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are reconciled in the financial statements on pages 17 and 20, respectively.

PROPRIETARY FUNDS

Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements.

THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Assets provides the perspective of the School District as a whole.

A comparison of the School District's net assets for 2011 compared to 2010 is as follows:

	<u>NET ASSETS (IN THOUSANDS)</u>					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS:-</u>						
Cash and Cash						
Equivalents... \$	9,555	\$ 8,325	\$ 9	\$ 5	\$ 9,564	\$ 8,330
Taxes						
Receivable,						
Net.....	1,040	1,114			1,040	1,114
Due from Other						
Governments...	1,070	1,044			1,070	1,044
Other						
Receivables...		14	2	1	2	15
Prepaid						
Expenses.....	127	120			127	120
Inventories....	45	45	31	25	76	70
Internal						
Balances.....	<u>13</u>	<u>6</u>	<u>( 13)</u>	<u>( 6)</u>	<u>0</u>	<u>0</u>
<u>CURRENT</u>						
<u>ASSETS:-</u>	\$ 11,850	\$ 10,668	\$ 29	\$ 25	\$ 11,879	\$ 10,693

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

	NET ASSETS (IN THOUSANDS)					
	GOVERNMENTAL		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2011	2010	2011	2010	2011	2010
Net Capital						
Assets.....	18,959	19,309	8	12	18,967	19,321
Long-Term						
Portion - Due						
from Other						
Governments...	37	32			37	32
Bond Issue						
Costs.....	252	268			252	268
<u>TOTAL</u>						
<u>ASSETS:-</u>	<u>\$ 31,098</u>	<u>\$ 30,277</u>	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 31,135</u>	<u>\$ 30,314</u>
<u>LIABILITIES:-</u>						
Accounts						
Payable.....	\$ 213	\$ 187	\$	\$ 1	\$ 213	\$ 188
Current Portion						
Accrued						
Interest.....	61	60			61	60
Current Portion						
Long-Term						
Debt.....	732	608			732	608
Accrued						
Salaries and						
Benefits.....	962	837			962	837
Current Portion						
Capital						
Lease.....	4	4			4	4
Current Portion						
of Bond						
Discount/						
Premium.....	( 1)	1			( 1)	1
Deferred						
Revenue.....			6	6	6	6
Current Portion						
Deferred						
Amount on						
Refunding....	( 16)	( 16)			( 16)	( 16)
<u>CURRENT</u>						
<u>LIABIL-</u>						
<u>ITIES:-</u>	<u>\$ 1,955</u>	<u>\$ 1,681</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1,961</u>	<u>\$ 1,688</u>
Bonds Payable..	15,420	15,986			15,420	15,986
Obligations						
Under Capital						
Lease.....	8	13			8	13
Compensated						
Absences.....	280	261	4	4	284	265
Note Payable...	1,597	1,764			1,597	1,764

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

	NET ASSETS (IN THOUSANDS)					
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2011	2010	2011	2010	2011	2010
Accrued Interest Expense.....	203	179			203	179
Long-Term Deferred Amount on Refunding.... (	272)	( 288)			( 272)	( 288)
Long-Term Deferred Bond Discount/Premium..... (	6)	( 9)			( 6)	( 9)
Other Post-Employment Benefits.....	672	352			672	352
<u>TOTAL LIABILITIES:-</u>	<u>\$ 19,857</u>	<u>\$ 19,939</u>	<u>\$ 10</u>	<u>\$ 11</u>	<u>\$ 19,867</u>	<u>\$ 19,950</u>
Net Assets Invested in Capital Assets, Net of Debt.....	\$ 1,492	\$ 1,246	\$ 8	\$ 12	\$ 1,500	\$ 1,258
Assigned/Committed.....	6,568	5,862			6,568	5,862
Unassigned.....	3,181	3,230	19	14	3,200	3,244
<u>TOTAL NET ASSETS:-</u>	<u>\$ 11,241</u>	<u>\$ 10,338</u>	<u>\$ 27</u>	<u>\$ 26</u>	<u>\$ 11,268</u>	<u>\$ 10,364</u>
<u>TOTAL LIABILITIES AND NET ASSETS:-</u>	<u>\$ 31,098</u>	<u>\$ 30,277</u>	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 31,135</u>	<u>\$ 30,314</u>

Total assets increased \$ 821 thousand, which is the result of a \$ 1.23 million increase in cash and equivalents, which was partially offset by a \$ 354 thousand decrease in net capital assets.

Total liabilities decreased \$ 83 thousand, which is primarily the result of a \$ 625 thousand decrease in net debt, offset by a \$ 320 thousand increase in other post-employment benefits, a \$ 125 thousand increase in accrued salaries and benefits, a \$ 25 thousand increase in accounts payable, a \$ 25 thousand increase in accrued interest, and a \$ 19 thousand increase in compensated absences.

The following table shows the revenues, expenses, and changes in net assets for fiscal years 2011 and 2010:

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

	(IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>REVENUE AND</u>						
<u>OTHER SOURCES:-</u>						
<u>Program</u>						
<u>Revenues -</u>						
Charges for						
Services.... \$	196	\$ 176	\$ 255	\$ 235	\$ 451	\$ 411
Operating						
Grants and						
Contribu-						
tions.....	3,017	3,127	238	255	3,255	3,382
<u>General</u>						
<u>Revenues -</u>						
Property,						
Per Capita,						
Earned,						
Other						
Taxes.....	4,652	4,713			4,652	4,713
Unrestricted						
Grants,						
Subsidies						
and						
Contribu-						
tions.....	6,084	5,773			6,084	5,773
Investment						
Earnings....	20	590			20	590
Other.....	62	51			62	51
Refund of						
Prior Year						
Expenses....	106	49			106	49
<u>TOTAL</u>						
<u>REVENUE</u>						
<u>AND OTHER</u>						
<u>SOURCES:-</u>						
	\$ 14,137	\$ 14,479	\$ 493	\$ 490	\$ 14,630	\$ 14,969
<u>PROGRAM EXPENSES</u>						
<u>AND OTHER USES:-</u>						
Instruction.... \$	7,815	\$ 7,848	\$	\$	\$ 7,815	\$ 7,848
<u>Support</u>						
<u>Services -</u>						
Pupil						
Personnel...	285	288			285	288
Instructional						
Staff.....	542	485			542	485
Administra-						
tion and						
Business....	1,041	1,022			1,041	1,022
Pupil						
Health.....	192	187			192	187



WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

	(IN THOUSANDS)					
	<u>GOVERNMENTAL</u>		<u>BUSINESS-TYPE</u>		<u>TOTAL</u>	
	<u>ACTIVITIES</u>		<u>ACTIVITIES</u>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Operation and Maintenance of Plant Service.....	1,223	1,293			1,223	1,293
Student Transportation.....	597	699			597	699
Data Processing..	245	140			245	140
Other Support Services....	6	25			6	25
Debt Service and Non-Instruction Services.....	1,289	1,208			1,289	1,208
Food Service...			<u>492</u>	<u>487</u>	<u>492</u>	<u>487</u>
<u>TOTAL EXPENSES AND OTHER USES:-</u>	<u>\$ 13,235</u>	<u>\$ 13,195</u>	<u>\$ 492</u>	<u>\$ 487</u>	<u>\$ 13,727</u>	<u>\$ 13,682</u>
<u>INCREASE (DECREASE) IN NET ASSETS:-</u>	<u>\$ 902</u>	<u>\$ 1,284</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 903</u>	<u>\$ 1,287</u>

GOVERNMENTAL ACTIVITIES

Governmental activities for 2011 resulted in an increase in net assets of \$ 902 thousand. The increase is primarily the result of continued revenues in excess of expenses although the increase was \$ 382 thousand less than 2010. More specifically, grants and subsidies increased \$ 311 thousand, offset for the most part by a decrease in operating grants and contributions of \$ 110 thousand, taxes decreasing by \$ 61 thousand, and investment earnings decreasing by \$ 570 thousand. Personnel costs primarily accounted for the increases in the expense categories.

The School District's revenues consist of: local (taxes and other), 36 percent; and state and federal revenues (subsidies and grants), 64 percent.

The School District's program expenses are 59 percent instruction, 31 percent support services, 7 percent debt service, and 3 percent non-instructional.

The School District's reliance on state and federal grants and local tax revenues is apparent. A decrease in state and federal revenues would have a direct impact on the level of local revenue needed to meet program expenses.

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

BUSINESS-TYPE ACTIVITIES

Business-type activity consists only of food service. This program had revenue of \$ 493 thousand and expenses of \$ 492 thousand. While this activity receives no support from tax revenue, this program receives federal and state grants and in-kind contributions of \$ 238 thousand. Without the support from the federal and state government, this operation would require support from local sources.

SCHOOL DISTRICT'S FUNDS

Financial information related to the School District's major funds starts on Page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and net other sources of approximately \$ 14.2 million and expenditures and net other uses of approximately \$ 13.1 million. The increase in fund balance of \$ 1.1 million mainly resulted from general fund revenues and other sources in excess of expenditures and debt service transfers. The general fund accounts for 99 percent of total revenue and net other sources and 88 percent of total expenditures. The excess revenue in the general fund was transferred to the capital reserve fund (\$ 1.1 million), and set aside for future retirement expenses (\$ 400 thousand).

GENERAL FUND BUDGET HIGHLIGHTS

The School District's budget is prepared on the modified accrual basis of accounting. The most significant budgeted fund is the general fund. Major variations between the original budget and final budget are due to various transfers between line items, including instructional staff services and regular programs.

The revenue and other sources budget was approximately \$ 13.5 million. Actual revenue exceeded budgeted amounts by approximately \$ 730 thousand. This was primarily the result of local and federal revenues exceeding budget, offset by state revenues not meeting budgeted amounts.

The expenditure and other uses budget was approximately \$ 14.4 million compared to actual expenditures and other uses of \$ 13.8 million, which includes a \$ 1.1 million transfer to capital reserve. A review of budget to actual expenditures indicates that each major area was under budget for the fiscal year 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of fiscal year 2011, the School District had \$ 19.0 million invested in land, buildings, and equipment (cost \$ 33.6 million, less accumulated depreciation of \$ 14.6 million).

WEST MIDDLESEX AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

UNAUDITED

During the year, the School District acquired approximately \$ 500 thousand in capital assets.

DEBT ADMINISTRATION

At June 30, 2011, the School District had \$ 17.5 million in net bonds, notes, and capital lease obligations outstanding, with \$ 719 thousand net due within one (1) year.

For additional information on bonds, notes, and capitalized leases, see Notes "1", "2", and "3" to the financial statements.

At June 30, 2011, the School District's non-electoral limit for debt (225 percent of borrowing base) was approximately \$ 31 million, excluding existing debt.

FOR THE FUTURE

The financial outlook for the School District continues to be stable. As the preceding information shows, the School District heavily depends on its property taxpayers and state and federal funding.

The School District anticipates that stability in the Mercer County area will enable it to minimize the amount of future tax increases. As of the date of this report, no conditions are expected that would significantly impact the financial status of the School District. Of course, stability and growth depend upon the general economic conditions, including the unemployment rate of the School District's taxpayers. Mercer County's economy, like the entire economy of the United States of America, continues to be challenged by recession and volatility. The cost of operations is anticipated to continue to increase, which will be funded with both property taxes and state and federal grants.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. James Hughes, Business Manager/Board Secretary at West Middlesex Area School District, Luther Low Building, West Middlesex, Pennsylvania 16159.

WEST MIDDLESEX AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2011

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>		<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
<u>A S S E T S</u>				<u>L I A B I L I T I E S</u>			
<u>CURRENT ASSETS:-</u>				<u>CURRENT LIABILITIES:-</u>			
Cash and Cash Equivalents	\$ 9,554,441	\$ 9,161	\$ 9,563,602	Current Portion of Long-Term Debt	\$ 731,891		\$ 731,891
Taxes Receivable, Net	1,040,173		1,040,173	Current Portion of Capital Lease	4,433		4,433
Due from Other Governments	1,070,035		1,070,035	Accounts Payable	212,931		212,931
Other Receivables	0	2,032	2,032	Accrued Interest Expense	61,294		61,294
Inventories	45,000	30,971	75,971	Accrued Salaries and Benefits	961,553		961,553
Prepaid Expenses	126,806		126,806	Deferred Revenue	0	5,591	5,591
Internal Balances	13,374	(13,374)	0	Deferred Amount on Refunding Bond (Discount)/Premium	(16,051) (847)		(16,051) (847)
<u>TOTAL CURRENT ASSETS:-</u>	<u>\$ 11,849,829</u>	<u>\$ 28,790</u>	<u>\$ 11,878,619</u>	<u>TOTAL CURRENT LIABILITIES:-</u>	<u>\$ 1,955,204</u>	<u>\$ 5,591</u>	<u>\$ 1,960,795</u>
<u>NON-CURRENT ASSETS:-</u>				<u>NON-CURRENT LIABILITIES:-</u>			
<u>Capital Assets -</u>				Bonds Payable	\$ 15,420,290		\$ 15,420,290
Land	\$ 40,000		\$ 40,000	Note Payable	1,597,222		1,597,222
Land and Site Improvements	2,477,616		2,477,616	Compensated Absences	279,326	4,218	283,544
Building and Building Improvements	24,624,001		24,624,001	Capital Lease Obligation	8,156		8,156
Furniture, Fixtures, and Equipment	4,793,390	95,856	4,889,246	Deferred Amount on Refunding	(271,789)		(271,789)
Vehicles	923,617		923,617	Accrued Interest Expense	203,157		203,157
Assets Under Capital Lease	302,644		302,644	Bond (Discount)/Premium	(6,033)		(6,033)
Construction-in-Process	360,620		360,620	Other Post-Employment Benefits	672,213		672,213
	\$ 33,521,888	\$ 95,856	\$ 33,617,744	Commitments and Contingencies	0		0
Accumulated Depreciation	(14,562,993)	(87,629)	(14,650,622)	<u>TOTAL NON-CURRENT LIABILITIES:-</u>	<u>\$ 17,902,542</u>	<u>\$ 4,218</u>	<u>\$ 17,906,760</u>
<u>NET CAPITAL ASSETS:-</u>	<u>\$ 18,958,895</u>	<u>\$ 8,227</u>	<u>\$ 18,967,122</u>	<u>TOTAL LIABILITIES:-</u>	<u>\$ 19,857,746</u>	<u>\$ 9,809</u>	<u>\$ 19,867,555</u>
<u>N E T A S S E T S</u>							
Bond Issue Costs	251,717		251,717	Invested in Capital Assets, Net of Related Debt	\$ 1,491,623	\$ 8,227	\$ 1,499,850
Due from Other Governments	37,623		37,623	Restricted for Specific Use	6,567,816		6,567,816
<u>TOTAL NON-CURRENT ASSETS:-</u>	<u>\$ 19,248,235</u>	<u>\$ 8,227</u>	<u>\$ 19,256,462</u>	Unrestricted	3,180,879	18,981	3,199,860
<u>TOTAL ASSETS:-</u>	<u>\$ 31,098,064</u>	<u>\$ 37,017</u>	<u>\$ 31,135,081</u>	<u>TOTAL NET ASSETS:-</u>	<u>\$ 11,240,318</u>	<u>\$ 27,208</u>	<u>\$ 11,267,526</u>
				<u>TOTAL LIABILITIES AND NET ASSETS:-</u>	<u>\$ 31,098,064</u>	<u>\$ 37,017</u>	<u>\$ 31,135,081</u>

The Accompanying Notes are an Integral Part of These Statements

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>GOVERNMENTAL ACTIVITIES:-</u>						
<u>INSTRUCTIONAL SERVICES -</u>						
Regular Programs	\$ 5,802,960	\$ 82,749	\$ 478,414	\$ (5,241,797)	\$	\$ (5,241,797)
Special Programs	1,630,572	82,749	1,591,707	43,884		43,884
Vocational Programs	332,679		12,000	(320,679)		(320,679)
Other Instructional Programs	24,261	1,190	1,297	(21,774)		(21,774)
Higher Educational Programs	24,082		24,064	(18)		(18)
<u>TOTAL INSTRUCTIONAL SERVICES:-</u>	<u>\$ 7,814,554</u>	<u>\$ 166,688</u>	<u>\$ 2,107,482</u>	<u>\$ (5,540,384)</u>	<u>\$ 0</u>	<u>\$ (5,540,384)</u>
<u>SUPPORT SERVICES -</u>						
Pupil Personnel Services	\$ 285,259	\$	\$ 10,659	\$ (274,600)	\$	\$ (274,600)
Instructional Staff Services	542,307		18,477	(523,830)		(523,830)
Administrative Services	898,567		32,669	(865,898)		(865,898)
Pupil Health	191,477		38,317	(153,160)		(153,160)
Business Services	142,338		5,309	(137,029)		(137,029)
Operation and Maintenance of Plant Services	1,222,942		49,837	(1,173,105)		(1,173,105)
Student Transportation Services	596,931		432,287	(164,644)		(164,644)
Data Processing Services	245,125		10,015	(235,110)		(235,110)
Staff Development	960		182	(778)		(778)
Other Support Services	4,815		438	(4,377)		(4,377)
<u>TOTAL SUPPORT SERVICES:-</u>	<u>\$ 4,130,721</u>	<u>\$ 0</u>	<u>\$ 598,190</u>	<u>\$ (3,532,531)</u>	<u>\$ 0</u>	<u>\$ (3,532,531)</u>
<u>NON-INSTRUCTIONAL SERVICES -</u>						
Student Activities	\$ 396,835	\$ 29,071	\$ 16,870	\$ (350,894)	\$	\$ (350,894)
<u>DEBT SERVICE -</u>	<u>\$ 892,754</u>	<u>\$ 0</u>	<u>\$ 295,062</u>	<u>\$ (597,692)</u>	<u>\$</u>	<u>\$ (597,692)</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES:-</u>	<u>\$ 13,234,864</u>	<u>\$ 195,759</u>	<u>\$ 3,017,604</u>	<u>\$ (10,021,501)</u>	<u>\$ 0</u>	<u>\$ (10,021,501)</u>
<u>BUSINESS-TYPE ACTIVITIES:-</u>						
Food Services	\$ 492,246	\$ 255,355	\$ 237,703	\$ 0	\$ 812	\$ 812
<u>TOTAL:-</u>	<u>\$ 13,727,110</u>	<u>\$ 451,114</u>	<u>\$ 3,255,307</u>	<u>\$ (10,021,501)</u>	<u>\$ 812</u>	<u>\$ (10,020,689)</u>

The Accompanying Notes are an Integral Part of These Statements

STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2011

	<u>NET (EXPENSE) REVENUE AND</u>		
	<u>CHANGES IN NET ASSETS</u>		
	<u>GOVERNMENTAL</u>	<u>BUSINESS-TYPE</u>	<u>TOTAL</u>
	<u>ACTIVITIES</u>	<u>ACTIVITIES</u>	
<u>GENERAL REVENUES AND TRANSFERS:-</u>			
<u>TAXES -</u>			
Property Taxes, Levied for General Purposes, Net	\$ 4,064,909	\$	\$ 4,064,909
Public Utility Realty, Earned Income and Other Taxes Levied for General Purposes, Net	587,445		587,445
Grants, Subsidies, and Contributions Not Restricted	6,083,776		6,083,776
Investment Earnings	19,509	11	19,520
Miscellaneous Income	62,134		62,134
Refund of Prior Year Expense	105,788		105,788
	<u>\$ 10,923,561</u>	<u>\$ 11</u>	<u>\$ 10,923,572</u>
<u>CHANGE IN NET ASSETS:-</u>	\$ 902,060	\$ 823	\$ 902,883
<u>NET ASSETS - BEGINNING:-</u>	10,338,258	26,385	10,364,643
<u>NET ASSETS - ENDING:-</u>	<u>\$ 11,240,318</u>	<u>\$ 27,208</u>	<u>\$ 11,267,526</u>

The Accompanying Notes are an Integral Part of These Statements

WEST MIDDLESEX AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>RESERVE</u> <u>FUND</u>	<u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>A S S E T S</u>				
Cash and Cash Equivalents	\$ 3,957,590	\$ 5,159,945	\$ 436,906	\$ 9,554,441
<u>Receivables -</u>				
Taxes, Net	810,000			810,000
Due from Other				
Governmental Units	1,063,994			1,063,994
Due from Other Funds	13,374	1,038,488		1,051,862
Consumable Supplies	45,000			45,000
Prepaid Expenses	126,806			126,806
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS:-</u>	<u>\$ 6,016,764</u>	<u>\$ 6,198,433</u>	<u>\$ 436,906</u>	<u>\$ 12,652,103</u>
<u>L I A B I L I T I E S</u>				
Accounts Payable	\$ 145,408	\$ 67,523	\$	\$ 212,931
Accrued Salaries and Benefits	961,553			961,553
Deferred Revenue	810,000			810,000
Due to Other Funds	1,038,488			1,038,488
Commitments and Contingencies	0			0
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES:-</u>	<u>\$ 2,955,449</u>	<u>\$ 67,523</u>	<u>\$ 0</u>	<u>\$ 3,022,972</u>
<u>F U N D E Q U I T Y</u>				
<u>FUND BALANCES:-</u>				
<u>Nonspendable -</u>				
Prepays	\$ 126,806	\$	\$	\$ 126,806
Inventory	45,000			45,000
<u>Restricted -</u>				
Capital Projects		6,130,910		6,130,910
Debt Service			436,906	436,906
<u>Assigned For Future Benefits -</u>	1,545,651			1,545,651
<u>Unassigned -</u>	1,343,858			1,343,858
	<hr/>	<hr/>	<hr/>	<hr/>
<u>TOTAL FUND EQUITY:-</u>	<u>\$ 3,061,315</u>	<u>\$ 6,130,910</u>	<u>\$ 436,906</u>	<u>\$ 9,629,131</u>
<u>TOTAL LIABILITIES AND</u>				
<u>FUND EQUITY:-</u>				
	<u>\$ 6,016,764</u>	<u>\$ 6,198,433</u>	<u>\$ 436,906</u>	<u>\$ 12,652,103</u>

The Accompanying Notes are an Integral Part of These Statements

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

WEST MIDDLESEX AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

TOTAL FUND EQUITY - GOVERNMENTAL FUNDS:- \$ 9,629,131

Amounts Reported for Governmental Activities  
in the Statement of Net Assets are Different  
Because:

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 \$ 33,521,888, and the  
Accumulated Depreciation is \$ 14,562,993. 18,958,895

Property Taxes and Wage 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 or  
not Recorded in the Funds. 1,040,173

Subsidy Receivable on Accrued Bonds Interest that  
will not be Collected Soon Enough to Pay for the  
Current Period's Expenditures and, Therefore,  
not Recorded in the Funds. 43,664

Long-Term Liabilities, Including Bonds Payable, 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:

Bonds Payable.....	(\$ 15,690,795)	
Accrued Interest on		
Debt.....	( 264,451)	
Capital Leases		
Payable.....	( 12,589)	
Notes Payable.....	( 1,763,888)	
Compensated		
Absences.....	( 279,326)	
Other Post-		
Employment		
Benefits.....	( <u>672,213</u> )	( 18,683,262)

Bond Issue Costs are Reported as Expenditures in  
the Governmental Funds. The Cost is \$ 378,704  
and Accumulated Amortization is \$ 126,987. 251,717

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES:- \$ 11,240,318

The Accompanying Notes are an Integral Part of These Statements

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITYGOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>RESERVE</u> <u>FUND</u>	<u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>REVENUES:-</u>				
Local Sources	\$ 5,677,631	\$ 11,228	\$ 6,086	\$ 5,694,945
State Sources	7,172,393			7,172,393
Federal Sources	1,236,471			1,236,471
<u>TOTAL REVENUES:-</u>	<u>\$ 14,086,495</u>	<u>\$ 11,228</u>	<u>\$ 6,086</u>	<u>\$ 14,103,809</u>
<u>EXPENDITURES:-</u>				
<u>Instruction -</u>				
Regular Programs	\$ 5,372,655	\$	\$	\$ 5,372,655
Special Programs	1,480,119			1,480,119
Vocational Programs	302,913			302,913
Other Instructional Programs	21,045			21,045
Higher Educational Programs	24,082			24,082
<u>TOTAL INSTRUCTION:-</u>	<u>\$ 7,200,814</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,200,814</u>
<u>Support Services -</u>				
Pupil Personnel Services	\$ 257,901	\$	\$	\$ 257,901
Instructional Staff Services	488,120			488,120
Administrative Services	811,231			811,231
Pupil Health	174,745			174,745
Business Services	128,470			128,470
Operation and Maintenance of Plant Services	1,102,949			1,102,949
Student Transportation Services	544,350			544,350
Data Processing Services	222,254			222,254
Staff Development	507			507
Other Support Services	10,779			10,779
<u>TOTAL SUPPORT SERVICES:-</u>	<u>\$ 3,741,306</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,741,306</u>
<u>Operation of Non-Instruction Services -</u>				
Student Activities	\$ 354,989	\$ 0	\$ 0	\$ 354,989
<u>Debt Service -</u>	<u>\$ 254,382</u>	<u>\$ 0</u>	<u>\$ 1,187,085</u>	<u>\$ 1,441,467</u>
<u>Facilities Acquisition and Improvements -</u>				
	\$ 0	\$ 360,620	\$	\$ 360,620

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITYGOVERNMENTAL FUNDSFOR THE YEAR ENDED JUNE 30, 2011

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>RESERVE</u> <u>FUND</u>	<u>NON-MAJOR</u> <u>FUNDS</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
<u>TOTAL EXPENDITURES:-</u>	\$ 11,551,491	\$ 360,620	\$ 1,187,085	\$ 13,099,196
<u>EXCESS (DEFICIENCY) OF</u> <u>REVENUES OVER (UNDER)</u> <u>EXPENDITURES:-</u>	\$ 2,535,004	\$ (349,392)	\$ (1,180,999)	\$ 1,004,613
<u>OTHER FINANCING SOURCES</u> <u>(USES):-</u>				
Operating Transfers In	\$	\$ 1,053,707	\$ 1,187,085	\$ 2,240,792
Operating Transfers Out	(2,240,792)			(2,240,792)
Refunds of Prior Year Expenses	105,789			105,789
Investment Expense		(4,370)		(4,370)
<u>TOTAL OTHER FINANCING</u> <u>SOURCES (USES):-</u>	\$ (2,135,003)	\$ 1,049,337	\$ 1,187,085	\$ 101,419
<u>REVENUES AND OTHER</u> <u>FINANCING SOURCES OVER</u> <u>EXPENDITURES AND</u> <u>OTHER (USES):-</u>	\$ 400,001	\$ 699,945	\$ 6,086	\$ 1,106,032
<u>BEGINNING FUND EQUITY:-</u>	2,661,314	5,430,965	430,820	8,523,099
<u>ENDING FUND EQUITY:-</u>	<u>\$ 3,061,315</u>	<u>\$ 6,130,910</u>	<u>\$ 436,906</u>	<u>\$ 9,629,131</u>

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WEST MIDDLESEX AREA SCHOOL DISTRICT

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

JUNE 30, 2011

TOTAL NET CHANGE IN FUND EQUITY -  
GOVERNMENTAL FUNDS:- \$ 1,106,032

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 Estimated Useful Lives  
as Depreciation Expense. This is the Amount  
by Which Capital Outlays Exceed Depreciation  
in the Period.

Depreciation Expense...(\$ 821,883)	
Capital Outlays..... <u>472,059</u>	( 349,824)

Because Some Property Taxes will not be  
Collected for Several Months after the School  
District's Fiscal Year Ends, They are not  
Considered as "Available" Revenues in the  
Governmental Funds. Deferred Tax Revenues  
Decreased by This Amount This Year. ( 75,000)

Repayment of Debt is an Expenditure in the  
Governmental Funds, but the Repayment  
Reduces Long-Term Liabilities in the Statement  
of Net Assets. 611,876

The Following Amounts Represent Changes in  
Balances from Prior Year:

Bond Issue Costs.....(\$ 17,063)	
Accrued Interest Expense.....( 25,125)	
Subsidy Receivable..... 5,536	
Wage Tax Receivable..... 1,033	
Compensated Absences...( 18,518)	
Bond Discount.....( 847)	
Deferred Refunding Amortization.....( 16,051)	
Other Post-Employment Benefits.....( <u>319,989</u> )	( <u>391,024</u> )

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES:- \$ 902,060

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WEST MIDDLESEX AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

AS OF JUNE 30, 2011

	<u>FOOD SERVICE</u>
<u>A S S E T S</u>	
<u>CURRENT ASSETS:-</u>	
Cash and Cash Equivalents	\$ 9,161
Other Receivables	2,032
Food and Supplies Inventory	25,542
U.S.D.A. Inventory	5,429
	<hr/>
<u>TOTAL CURRENT ASSETS:-</u>	\$ 42,164
	<hr/>
<u>EQUIPMENT:-</u>	\$ 95,856
	<hr/>
<u>LESS:</u> Accumulated Depreciation	(87,629)
	<hr/>
<u>NET EQUIPMENT:-</u>	\$ 8,227
	<hr/>
<u>TOTAL ASSETS:-</u>	\$ 50,391
	<hr/> <hr/>
<u>L I A B I L I T I E S   A N D   N E T   A S S E T S</u>	
<u>CURRENT LIABILITIES:-</u>	
Deferred Revenue	\$ 5,591
Due to General Fund	13,374
	<hr/>
<u>TOTAL CURRENT LIABILITIES:-</u>	\$ 18,965
	<hr/>
<u>LONG-TERM LIABILITIES:-</u>	
Compensated Absences Payable	\$ 4,218
	<hr/>
<u>TOTAL LIABILITIES:-</u>	\$ 23,183
	<hr/>
<u>NET ASSETS:-</u>	
Invested In Capital Assets	\$ 8,227
Unrestricted	18,981
	<hr/>
<u>TOTAL NET ASSETS:-</u>	\$ 27,208
	<hr/>
<u>TOTAL LIABILITIES AND NET ASSETS:-</u>	\$ 50,391
	<hr/> <hr/>

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WEST MIDDLESEX AREA SCHOOL DISTRICT

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

PROPRIETARY FUNDS

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>FOOD SERVICE</u>
<u>OPERATING REVENUES:-</u>	
Food Sales	\$ 242,807
Other	12,548
U.S.D.A. In-Kind Contributions	<u>20,216</u>
<u>TOTAL OPERATING REVENUES:-</u>	<u>\$ 275,571</u>
<u>COST OF SALES:-</u>	
Food and Milk	\$ 276,677
U.S.D.A. Contributions Used	<u>23,348</u>
<u>TOTAL COST OF SALES:-</u>	<u>\$ 300,025</u>
<u>DIRECT OPERATING REVENUE (LOSS):-</u>	<u>\$ (24,454)</u>
<u>OPERATING EXPENSES:-</u>	
Labor	\$ 131,481
Fringe Benefits	31,236
Supplies	18,134
Other	567
Depreciation	3,949
Repairs and Maintenance	<u>6,854</u>
<u>TOTAL OPERATING EXPENSES:-</u>	<u>\$ 192,221</u>
<u>OPERATING (LOSS):-</u>	<u>\$ (216,675)</u>
<u>NON-OPERATING REVENUES:-</u>	
Subsidies	\$ 208,777
State Social Security Reimbursement	5,032
State Retirement Reimbursement	3,678
Interest	<u>11</u>
<u>TOTAL NON-OPERATING REVENUES:-</u>	<u>\$ 217,498</u>
<u>NET INCOME (LOSS):-</u>	<u>\$ 823</u>
<u>BEGINNING NET ASSETS:-</u>	<u>26,385</u>
<u>ENDING NET ASSETS:-</u>	<u>\$ 27,208</u>

The Accompanying Notes are an Integral Part of These Statements

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WEST MIDDLESEX AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPES

BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>FOOD SERVICE</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-</u>	
<u>CASH FLOWS FROM OPERATING ACTIVITIES -</u>	
Cash Received from Customers	\$ 254,255
Cash Paid for Personnel Services	(181,773)
Cash Paid to Suppliers	(286,494)
Cash Paid for Operating Expenses	(25,555)
	<hr/>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u>\$ (239,567)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES -</u>	
Subsidies Received	\$ 234,975
State Reimbursements Received	8,710
Interest Income	11
	<hr/>
<u>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES:-</u>	<u>\$ 243,696</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS:-</u>	<u>\$ 4,129</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:-</u>	<u>5,032</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR:-</u>	<u><u>\$ 9,161</u></u>
<u>ACTIVITIES:-</u>	
Operating (Loss)	\$ (216,675)
(Increase) Decrease - Inventory - In-Kind	3,132
(Increase) Decrease - Purchased Inventory	(9,045)
(Increase) Decrease in Accounts Receivable	(1,100)
Increase (Decrease) - Compensated Absences	305
Increase (Decrease) in Accounts Payable	(726)
Depreciation	3,949
Increase (Decrease) in Deferred Revenue	(46)
Increase (Decrease) - Due to General Fund	(19,361)
	<hr/>
<u>NET CASH FLOWS USED IN OPERATING ACTIVITIES:-</u>	<u><u>\$ (239,567)</u></u>
<u>NON-CASH TRANSACTIONS:-</u>	
In-Kind Contributions	<u><u>\$ 20,216</u></u>

The Accompanying Notes are an Integral Part of These Statements

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WEST MIDDLESEX AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AS OF JUNE 30, 2011

	<u>PRIVATE</u> <u>PURPOSE</u> <u>TRUST</u> <u>FUNDS</u>	<u>AGENCY</u> <u>FUNDS</u>
<u>ASSETS:-</u>		
Cash and Cash Equivalents	\$ 4,983	\$ 73,095
<u>LIABILITIES:-</u>	\$ 0	\$ 73,095
<u>NET ASSETS:-</u>		
Held in Trust for Scholarships	\$ 4,983	\$ 0
<u>TOTAL LIABILITIES AND NET ASSETS:-</u>	\$ 4,983	\$ 73,095

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WEST MIDDLESEX AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>PRIVATE PURPOSE TRUST SCHOLARSHIP FUNDS</u>
<u>ADDITIONS:-</u>	
Earnings on Investments	\$ 93
Unrealized Gain on Investments	230
	230
<u>TOTAL ADDITIONS:-</u>	<u>\$ 323</u>
<u>DEDUCTIONS:-</u>	\$ (500)
	(500)
<u>CHANGE IN NET ASSETS:-</u>	\$ (177)
<u>NET ASSETS - BEGINNING:-</u>	5,160
<u>NET ASSETS - ENDING:-</u>	<u>\$ 4,983</u>

The Accompanying Notes are an Integral Part of These Statements

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WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the West Middlesex Area School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments". This Statement established new financial reporting requirements for state and local governments throughout the United States. It required new information and restructured much of the information that governments have presented in the past.

With the implementation of GASB Statement 34, the School District has prepared required supplementary information titled "Management's Discussion and Analysis" which precedes the basic financial statements.

In February 2009, GASB issued Statement Number 54 (GASB 54), "Fund Balance Reporting and Governmental Fund Type Definitions", which the School District adopted during fiscal year 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Statement also made changes to the definitions of the various types of governmental funds.

As a result of the adoption of this Standard, the School District reclassified governmental fund balances to conform to the GASB 54 categories. In addition, the athletic fund was transferred to the general fund and the capital reserve and building reserve funds were reclassified as capital project funds. The adoption of this Standard resulted in reclassifications only. Results of operations or financial position were not affected.

REPORTING ENTITY

The West Middlesex Area School District was created in 1971 and includes the West Middlesex Borough and the Townships of Shenango and Lackawannock.

The School District provides primary and secondary education services in accordance with the guidelines provided by the Pennsylvania Department of Education and operates under an elected nine (9) member Board of Directors.

The Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity", established the criteria for determining the activities, organization, and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the School District's financial reporting entity are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

The School District has evaluated its relationships with other entities to determine if the financial information of these entities should be included in

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

the financial statements. Based on this evaluation, these entities have not been included as a component unit of the School District's reporting entity because of limited oversight responsibility and limited accountability for fiscal matters.

JOINT VENTURE

The West Middlesex Area School District is a participant with various other area school districts in a joint venture to operate the Mercer County Career Center. The Career Center was created to provide vocational and technical training to interested students of the various participating school districts.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. "Program revenues" include: 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as "general revenues".

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and postemployment healthcare benefits are recorded only when payment is due.

FUND ACCOUNTING

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Major Governmental Funds:-

- General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- Capital Reserve Fund - The Capital Reserve Fund was established under Section 1432 of the School Code and is a special revenue fund. The Capital Reserve Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction, and remodeling of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

Major Enterprise Fund:-

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

Additionally, the School District reports the following fund types:

- Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources for, and payment of, interest and principal on debt. The funds included in this category are the 2001 Bond Sinking Fund, the 2002 A and B Bond Sinking Funds, the 2007 General Obligation Bonds, the 2009 General Obligation Bonds, and the Vo-Tech debt payments.
- Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds. Private-purpose

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and, thus, do not involve measurement of results of operations. Funds included in this category include the Student Activity Funds, the Campbell Scholarship Fund, and the Board Fundraising Account.

The accrual basis of accounting is followed in both the government-wide and proprietary fund financial statements, whereby revenues are recognized in the period in which the revenues are earned and become measurable, and expenditures are recognized in the period incurred. Under this basis of accounting, the School District applies: (a) all GASB pronouncements, and (b) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Proprietary funds distinguish "operating" revenues and expenses from "nonoperating" items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

BUDGETS AND BUDGETARY ACCOUNTING

An operating budget is adopted each year for the general fund on a modified accrual basis of accounting. The budget, as presented in the financial statements, includes all budget modifications made during the year.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement at least once in two (2) newspapers of general circulation in the municipality in which it is located, and within 20 days of final action that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement. Such hearings are required to be scheduled at least ten (10) days prior to when final action on adoption is taken by the Board.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds (2/3) of all members of the Board is required.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.

Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program-by-program basis by the state or federal funding agency.

An enterprise fund budget is not adopted; however, an informal budget is prepared and approved by management and used as a tool along with various monthly reports.

INVENTORIES

Enterprise fund inventories of \$ 30,971 include \$ 5,429 of food commodities donated by the federal government as of June 30, 2011, which are valued at an estimated market value. All other food or supply inventories are valued at last unit cost in accordance with the recommendations of the Food and Nutrition Service of the Department of Agriculture and are expensed when used.

Consumable supply inventories of the general fund are conservatively estimated. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. United States Department of Agriculture (U.S.D.A.) food commodities are recorded as revenue when received at estimated market value on the date of receipt and as an expense when used. U.S.D.A. food commodities are reported in the Food Service Fund.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, money market accounts, and liquid asset funds. In these accounts, cost is equal to the market value. (See Note "4").

RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

CAPITAL ASSETS

Capital assets, which include land, land and site improvements, building and building improvements, furniture, fixtures and equipment, vehicles, and assets under capital lease, are reported in the government-wide financial statements. The School District defines capital assets as non-consumable material purchases with a life expectancy of greater than one (1) year, and an initial cost as follows:

<u>CLASS OF ASSET</u>	<u>DOLLAR THRESHOLD FOR EACH ASSET</u>	<u>DOLLAR THRESHOLD BY GROUP</u>
Athletic Equipment.....	over \$ 1,500 each	over \$ 5,000
Audio/Visual Equipment.....	over \$ 1,500 each	over \$ 5,000
Buildings.....	over \$ 25,000	non-applicable
Building Improvements.....	over \$ 25,000	non-applicable
Furniture and Fixtures.....	over \$ 1,500	over \$ 5,000
Land Improvements.....	over \$ 25,000	non-applicable
(Original or additional installation, land attachments with limited lives, fencing, retaining walls, athletic fields/track, area lighting, drives and parking lots, sidewalks, curbs and gutters that are incidental to the School's property or access to the property.)		
Library Books.....	over \$ 1,500	over \$ 5,000
Maintenance and Grounds Equipment.....	over \$ 1,500	over \$ 5,000
Musical Instruments.....	over \$ 1,500	over \$ 5,000
Technology Group.....	over \$ 1,500	over \$ 5,000
Vehicles.....	over \$ 5,000	non-applicable

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

ESTIMATED USEFUL LIFE

Estimated useful life is the estimated number of months or years that an asset will be able to be used for the purpose for which it was purchased. The following "Useful Life Table" shall be used by the West Middlesex Area School District to estimate useful lives of capital assets. Property management practices, asset usage, and other variables, such as weather, may require adjusting the estimated useful life:

<u>ASSET CLASS</u>	<u>YEARS</u>
Athletic Equipment.....	10
Audio/Visual Equipment.....	10
Buildings.....	50
Business Machines.....	10

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

<u>ASSET CLASS</u>	<u>YEARS</u>
Carpet Replacement.....	10
Communications Equipment.....	10
Computer Hardware.....	5
Computer Software.....	3 - 5
Copiers.....	5
Custodial Equipment.....	10
Electrical/Plumbing.....	30
Furniture and Accessories.....	20
Grounds Equipment.....	15
HVAC Systems.....	20
Interior Construction.....	25
Kitchen Equipment.....	15
Land Improvements.....	20
Library Books and Textbooks.....	5 - 7
Machinery and Tools.....	15
Musical Instruments.....	10
Outdoor Equipment.....	20
Roofing.....	25
Science Equipment.....	10
Site Improvements.....	20
Sprinkler/Fire System.....	25
Vehicles.....	12

Due to GASB 34 requirements regarding the treatment of fully depreciated assets during the year of implementation, lives for some assets do not conform to the above guidelines.

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. For debt issued beginning in fiscal year 2004, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Also, for debt issued beginning in fiscal year 2004, 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 debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

FUND EQUITY

In the fund financial statements, governmental funds report aggregate amounts for five (5) classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four (4) classifications: restricted, committed, assigned, and unassigned.

Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the School Board of Directors - the School District's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the School Board of Directors removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification reflects the amounts constrained by the School District's "intent" to be used for specific purposes, but are neither restricted nor committed. The School District's Business Manager has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the School District's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

TAXES

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied on August 1 and payable at a discount on September 30, at face on November 30, and at penalty thereafter. All uncollected real estate taxes on January 1 are filed by the elected tax collector with the County of Mercer for collection. Outstanding tax levies are offset on the governmental funds balance sheet as deferred revenue so as not to be included in the School District's general fund balance. The property tax levy is 62.02 Mills for general purposes for fiscal year 2011 and remains the same for 2012.



WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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The School District also levies taxes under Act 511 of 1965 (Local Tax Enabling Act): \$ 5 per capita tax, one-half (1/2) of one (1) percent earned income tax, and one-half (1/2) of one (1) percent realty transfer tax. Also, a per capita tax of \$ 5 is levied under Section 679 of the Public School Code.

Tax receivables of governmental activities in the entity-wide statement of net assets consist of the following:

Wage Taxes.....	\$ 230,173
Real Estate Taxes.....	835,213
Reserve for Uncollectable Real Estate Taxes.....	( <u>25,213</u> )
<u>NET TOTAL:</u>	<u>\$ 1,040,173</u>

It is the School District's policy to reserve for uncollectable real estate taxes at a rate approximating its historical collection rate. The wage tax receivable is calculated at the estimated net realizable amount, consequently, no reserve is included above.

CASH FLOWS

The School District has complied with Governmental Accounting Standards Board Statement Number 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting" requirement. For purposes of the cash flows statement, the School District considers all highly liquid debt instruments purchased with an initial maturity of three (3) months or less, to be cash equivalents.

MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEFERRED REVENUES

Deferred revenues of the general fund in the governmental funds represent receivables which will be collected and included in revenues of future fiscal years. In the general fund, deferred revenues of \$ 810,000 as of June 30, 2011, consist of delinquent real estate taxes which were levied in the current and prior years but will not be available to pay liabilities of the current period.

COMPARATIVE DATA AND RECLASSIFICATIONS

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the School District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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SUBSEQUENT EVENTS

The School District recognizes in the financial statements the effects of all significant, material subsequent events that provide additional evidence about conditions that existed at the date of the statement of net assets. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity is required to disclose the nature of the event, as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. The School District has evaluated subsequent events through the issuance of its statements on December 27, 2011.

2. DEBT REIMBURSEMENTS

The School District is reimbursed by the Pennsylvania Department of Education as determined by the applicable debt contract and the School District's aid ratio, which changes annually from the Commonwealth for their bonded debt. During fiscal year 2011, approximately 26 percent of the annual payments eligible of \$ 1,162,085 were reimbursed.

3. LONG-TERM LIABILITIES

In fiscal year 1998, the School District issued \$ 5,035,000 in General Obligation Refunding Bonds Series of 1997 at 99.15 percent, maturing at various dates from December 15, 1999 to June 15, 2024, with interest rates ranging from 4.00 percent to 5.10 percent. The bonds were used to advance refund the remaining General Obligation Bonds Series of 1994. See the refunding in 2010 discussed below. (A)

During fiscal year 2001, the School District issued \$ 8,265,000 in General Obligation Bonds Series of 2001 at 99.305 percent, maturing at various dates from December 15, 2002 to December 15, 2030, with interest rates ranging from 3.65 percent to 5.22 percent. These bonds were issued to fund the Oakview Renovation project. During fiscal year 2007, the School District advanced refunded a portion of the 2001 Bonds Series with the 2007 Series, with the refunding, only \$ 410,000 of the Series 2001 remain, with maturity dates from December 15, 2006 to December 15, 2011, with interest rates ranging from 3.9 percent to 4.35 percent. (B)

Also in fiscal year 2001, the School District borrowed \$ 195,699 on a General Obligation Note. The money was borrowed from a local bank at a rate of 5.88 percent, maturing June 1, 2010. Payments are made semi-annually and consist of fixed principal and interest payments of \$ 12,879, from December 1, 2000 to June 1, 2010. The money was borrowed for facility improvements. (E)

During fiscal year 2002, the School District issued \$ 5,606,647 in General Obligation Bonds, Series of 2002A/B, maturing at various dates from June 15, 2002 to June 15, 2032, with interest rates ranging from 1.75 percent to 5.85 percent. The Series A Bonds of \$ 376,647 were issued to fund the equipment purchase for the Oakview School, as well as other projects as deemed appropriate by the Board. The bonds are not subject to redemption prior to

WEST MIDDLESEX AREA SCHOOL DISTRICT

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maturity. The majority of these bonds, \$ 366,647, are commonly known as "Deep Discount" bonds, and do not provide for periodic interest payments but accrue interest payable to provide for a maturity value of \$ 5,000 per bond. The total maturity value of the issue is \$ 1,490,000. This issue is recorded as debt on the entity-wide statement of net assets at the \$ 376,647 stated value at issuance less principal payments to June 30, 2007. As interest accrues, the accrued interest payable amount is being increased to reflect the accumulation of unpaid interest on the issue. The Series B Bonds of \$ 5,230,000 were used to advance refund the remaining General Obligation Bonds Series of 1993, as discussed above. The effect of this transaction was an increase of an additional year of debt service approximating \$ 1,491,000 for cash today of approximately \$ 377,000, at an effective rate of 5.73 percent. (C)(D)

During fiscal year 2006, the School District entered into and began drawing down on a \$ 2.5 million loan with a local financial institution. The proceeds of this loan will be used to finance the construction of a new athletic facility at the school. The loan is dated June 28, 2006, and will mature January 1, 2022. Monthly payments will be made on the loan bearing interest at 4.73 percent per annum until December 31, 2011, with the remaining payments bearing interest at a variable rate per annum equal to 70 percent of the prime rate in effect with the maximum rate charged not to exceed 15 percent. (G)

During fiscal year 2007, the School District issued \$ 8,450,000 in General Obligation Refunding Bonds Series of 2007 at 99.3 percent, maturing at various dates from June 15, 2007 to December 15, 2030, with interest rates ranging from 3.5 percent to 4.3 percent, the Bonds were used to advance refund the remaining General Obligation Bonds Series 2001, as discussed below. (H)

During fiscal year 2010, the School District issued \$ 4,005,000 in General Obligation Bonds Series 2009 at 101.2 percent, maturing at various dates from June 15, 2010 to June 15, 2024, with interest rates ranging from 3.25 percent to 3.50 percent. The Bonds were used to refund the General Obligation Refunding Bond Series of 1997. As a result of refunding of the 1997 General Obligation Bonds Series, the School District decreased its total debt service requirements through the year 2012 by a total of \$ 361,030, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$ 353,580. (I)

During fiscal year 2009/2010, the School District began paying on the debt of the Mercer County Career Center (MCCC). The School District is liable for its share of the MCCC debt, which is approximately \$ 1,460,000 including interest through May 2029. The School District paid a total of \$ 74,365 related to this debt in 2010/2011. The School District was reimbursed \$ 30,210 for its share of this expense in fiscal year 2011. These payments represent a contribution to the operations of MCCC and, as a result, neither the debt or any related assets have been recorded in the financial statements of the School District.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

CAPITALIZED LEASES

During fiscal year 2009, the School District entered into a lease agreement for a copier which calls for a total of 60 payments. The monthly payment of \$ 472, excluding maintenance and supplies expires in January 2014. The interest rate on the lease is approximately 11.61 percent, based on the implicit rate of return.

This lease has been determined to be a capital lease and, accordingly, the fair market value of the assets are recorded as assets under capital lease assets, and the amount representing the principal value is recorded as debt in the financial statements. (F)

Minimum future lease payments under capital leases, excluding the maintenance and supplies portion of the monthly billings, are as follows:

<u>FISCAL YEAR</u>	<u>AMOUNT</u>
2012.....	\$ 5,664
2013.....	5,664
2014.....	<u>3,304</u>
<u>TOTAL MINIMUM LEASE PAYMENTS:-</u>	\$ 14,632
<u>LESS: AMOUNT REPRESENTING INTEREST:-</u>	<u>( 2,043)</u>
<u>PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS:-</u>	<u>\$ 12,589</u>

Long-term liability activity for the year ended June 30, 2011 is as follows:

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
<u>GOVERNMENTAL</u>					
<u>ACTIVITIES:-</u>					
<u>BONDS PAYABLE -</u>					
Deferred Amount on Refunding.....	(\$ 303,891)	\$	\$ 16,051	(\$ 287,840)	(\$ 16,051)
Deferred Bond Discounts/Premium.....	( 7,727)		847	( 6,880)	( 847)
<u>Bonded Debt</u>					
- Series 2001 (B)...	145,000		( 70,000)	75,000	75,000
- Series 2002A (C)...	366,647		( 16,132)	350,515	15,225
- Series 2002B (D)...	3,605,000		( 210,000)	3,395,000	220,000
- Series 2007 (H)...	8,310,000		( 35,000)	8,275,000	35,000
- Series 2009 (I)...	<u>4,000,000</u>		<u>( 110,000)</u>	<u>3,890,000</u>	<u>220,000</u>
<u>TOTAL BONDS PAYABLE:-</u>	\$ 16,115,029	\$	0	(\$ 424,234)	\$ 548,327
Other Post-Employment Benefits.....	352,224	319,989		672,213	
Compensated Absences (See Note "7")....	260,808	18,518		279,326	
Accrued Interest....	239,326	25,125		264,451	61,294

WEST MIDDLESEX AREA SCHOOL DISTRICT

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JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Capitalized					
Leases (F).....	16,539		( 3,950)	12,589	4,433
General Obligation					
Note - 2006 (G)....	<u>1,930,555</u>		( <u>166,667</u> )	<u>1,763,888</u>	<u>166,667</u>
<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>ACTIVITIES:-</u>	<u>\$ 18,914,481</u>	<u>\$ 363,632</u>	( <u>\$ 594,851</u> )	<u>\$ 18,683,262</u>	<u>\$ 780,721</u>

The above liabilities are generally paid through general fund appropriations.

The deferred amounts on refunding represent the difference between the remaining debt service and payments made to the Refunded Bond Escrow Agents of the various bond issues discussed above. This net amount of \$ 354,382 is being amortized over the various lives of the applicable bonds. Total net amortization expense of \$ 16,051 has been recorded for fiscal year 2011.

Total net bond issue costs of \$ 302,342 on the various bonds are being amortized over the respective lives of the issues in the entity-wide statement of net assets. Amortization expense of \$ 17,605 has been recorded for fiscal year 2011.

Total net bond discounts (discount \$ 61,163 net of premium \$ 46,795) of \$ 14,368 on the various bonds are being amortized over the respective lives of the issues in the entity-wide statement of net assets. Net amortization income of \$ 847 has been recorded for fiscal year 2011.

Interest expense (including amortization) incurred by the School District for Governmental Activities totalled \$ 892,754 for fiscal year 2011.

Following is a schedule of accrued interest as of June 30, 2011:

	<u>TOTAL</u>	<u>DUE WITHIN</u> <u>ONE YEAR</u>
Series of 2001 Bonds.....	\$ 136	\$ 136
Series of 2002A Bonds.....	237,449	34,292
Series of 2002B Bonds.....	6,930	6,930
Series of 2007 Bonds.....	14,498	14,498
Series of 2009 Bonds.....	<u>5,438</u>	<u>5,438</u>
<u>TOTAL:-</u>	<u>\$ 264,451</u>	<u>\$ 61,294</u>

There was no interest accrued at June 30, 2011, related to the Athletic Facility loan. The monthly payment, including interest, totals approximately \$ 21,300, with principal payments of \$ 13,889.

At June 30, 2011, the debt service requirements on the General Obligation Refunding Bond Series 2001, were as follows:

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NOTES TO THE FINANCIAL STATEMENTS

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	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 75,000	\$ 1,631	\$ 76,631

At June 30, 2011, the debt service requirements on the General Obligation Refunding Bond Series 2002A, as described previously, were as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 15,225	\$ 9,775	\$ 25,000
2013.....	17,210	12,790	30,000
2014.....	13,484	11,516	25,000
2015.....	12,652	12,348	25,000
2016.....	11,849	13,151	25,000
2017 - 2021.....	52,736	82,264	135,000
2022 - 2026.....	36,698	93,302	130,000
2027 - 2031.....	26,222	98,778	125,000
2032.....	<u>164,439</u>	<u>770,561</u>	<u>935,000</u>
<b>TOTAL:-</b>	<b>\$ 350,515</b>	<b>\$ 1,104,485</b>	<b>\$ 1,455,000</b>

At June 30, 2011, the debt service requirements on the General Obligation Refunding Bond Series 2002B, as described previously, were as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 220,000	\$ 166,314	\$ 386,314
2013.....	225,000	156,634	381,634
2014.....	235,000	146,509	381,509
2015.....	250,000	135,699	385,699
2016.....	255,000	123,949	378,949
2017 - 2021.....	1,500,000	416,122	1,916,122
2022 - 2023.....	<u>710,000</u>	<u>54,825</u>	<u>764,825</u>
<b>TOTAL:-</b>	<b>\$ 3,395,000</b>	<b>\$ 1,200,052</b>	<b>\$ 4,595,052</b>

At June 30, 2011, the debt service requirements on the General Obligation Series of 2007, as described previously, were as follows (See Note "17" regarding refunding):

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 35,000	\$ 347,326	\$ 382,326
2013.....	110,000	344,734	454,734
2014.....	125,000	340,473	465,473
2015.....	120,000	335,866	455,866
2016.....	135,000	330,926	465,926
2017 - 2021.....	725,000	1,572,409	2,297,409
2022 - 2026.....	2,185,000	1,353,123	3,538,123
2027 - 2031.....	<u>4,840,000</u>	<u>538,354</u>	<u>5,378,354</u>
<b>TOTAL:-</b>	<b>\$ 8,275,000</b>	<b>\$ 5,163,211</b>	<b>\$ 13,438,211</b>

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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At June 30, 2011, the debt service requirements on the General Obligation Series of 2009, as described previously, were as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 220,000	\$ 130,500	\$ 350,500
2013.....	230,000	123,350	353,350
2014.....	235,000	115,875	350,875
2015.....	245,000	108,238	353,238
2016.....	250,000	100,275	350,275
2017 - 2021.....	1,375,000	371,675	1,746,675
2022 - 2024.....	<u>1,335,000</u>	<u>96,075</u>	<u>1,431,075</u>
<b>TOTAL:-</b>	<b><u>\$ 3,890,000</u></b>	<b><u>\$ 1,045,988</u></b>	<b><u>\$ 4,935,988</u></b>

At June 30, 2011, the debt service requirements on the 2006 Athletic Facility Note, as described above, were as follows (See Note "17" regarding refunding):

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012.....	\$ 166,667	\$ 81,151	\$ 247,818
2013.....	166,667	72,941	239,608
2014.....	166,667	64,948	231,615
2015.....	166,667	56,955	223,622
2016.....	166,667	49,092	215,759
2017 - 2021.....	833,335	124,962	958,297
2022.....	<u>97,218</u>	<u>1,560</u>	<u>98,778</u>
<b>TOTAL:-</b>	<b><u>\$ 1,763,888</u></b>	<b><u>\$ 451,609</u></b>	<b><u>\$ 2,215,497</u></b>

4. CASH AND INVESTMENTS

The School District implemented Governmental Accounting Standards Board Statement Number 40, "Deposit and Investment Risk Disclosures". This new standard establishes and modifies disclosure requirements related to deposit risks (custodial credit and foreign currency risks) and investment risks (credit, interest rate, and foreign currency risks), as applicable to the School District.

The School District's cash and investments consist of deposits with financial institutions, money market accounts, and liquid asset funds. The School District's investment policies are governed by State School Code and School District Board resolution. Permissible investments include direct obligations of the United States Government and agency securities, certificates of deposit, and savings accounts or savings certificates of savings and loan associations. Collateral is required for demand deposits and certificates of deposit, at 100 percent of all amounts not covered by federal deposit insurance. At June 30, 2011, the deposit bank balance which includes mutual funds and savings accounts, was fully collateralized or insured. Obligations that may be pledged as collateral are obligations of the United States and its agencies.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

DEPOSITS

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the statement of net assets as cash. The bank balances are categorized to give an indication of the level of risk assumed by the School District at year-end as follows:

Custodial Credit Risk Deposits -

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk is in accordance with the Public School Code of 1947. As of June 30, 2011, \$ 8,979,803 of the School District's bank balance of \$ 10,121,341 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized.....	\$	185
Uninsured and collateral held by or for pledging bank not in the School District's name (but subject to the Pennsylvania Pledge Act 72).....		<u>8,979,618</u>
<u>TOTAL:-</u>	<u>\$</u>	<u>8,979,803</u>

The School District currently has funds donated by a private outside person to be used as a Scholarship Fund. These monies are invested in stocks and equities and carry the normal risks of such. At June 30, 2011, the total of these funds is \$ 4,983.

FAIR VALUE ACCOUNTING FOR INVESTMENTS

During fiscal year 1997, the School District invested excess monies in their Bond Sinking Fund with the Pennsylvania School District Liquid Asset Fund (PSDLAF). The money was to be invested to cover certain bond principal and interest payments in fiscal year 2024. Through the PSDLAF, on February 12, 1997, a U.S. Treasury Strip Coupon was acquired at a cost of \$ 116,136 with a maturity date of May 15, 2024, and a value of \$ 735,000 at maturity. The fair value at June 30, 2011, is \$ 436,906.

Governmental Accounting Standards Board Statement Number 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires long-term investments, like the School District's above, to be reported at fair value at the balance sheet date. The change in the fair market value of the investment from the beginning of the fiscal year to the end of the fiscal year is shown in the statement of revenues and expenditures as an unrealized gain or (loss) on investments. Below is a calculation of the net change in the fair value of the investment during fiscal year 2011:

Fair Value at June 30, 2011.....	\$	436,906
<u>LESS:</u> Fair Value at June 30, 2010..	(	<u>430,820</u> )

CHANGE IN FAIR VALUE OF  
INVESTMENTS DURING 2010:-      \$      6,086

Investment income has been included in the local sources revenue line item on the financial statements. For the year ended June 30, 2011, investment income is composed of the following, net of investment expense:

*Black, Bashor & Porsch, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS



WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

INVESTMENT INCOME:-

Interest.....	\$	13,434
Net Increase in the Fair Value of Investments.....		<u>6,086</u>

TOTAL INVESTMENT INCOME:-                    \$    19,520

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the School District to concentration of credit risk consist principally of cash, investments, and debt.

Noninterest-bearing cash transaction accounts, i.e., checking accounts at individual banks, are fully insured by the Federal Deposit Insurance Corporation (FDIC) for the period December 31, 2010 through December 31, 2012. After December 31, 2012, noninterest-bearing cash transaction accounts will be insured by FDIC up to \$ 250,000. Interest-bearing cash transaction accounts, i.e., money market checking accounts and certificates of deposit at individual banks, are currently insured by FDIC for up to \$ 250,000. This listed coverage is based upon the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010. In the normal course of business, the School District may have deposits in excess of federal insurance coverage. As of June 30, 2011, the School District had approximately \$ 9.0 million in excess of FDIC insured limits, as discussed above.

5. RETIREMENT PLAN

The School District has a contributory pension plan for all full-time employees which is funded and maintained through the Commonwealth of Pennsylvania's Public School Employees' Retirement System. Retirement expenses amounted to \$ 337,696 in 2011.

During 1996, funding of retirement expenditures was changed by the Commonwealth of Pennsylvania. The School District now pays the entire required contribution to the Plan with the State reimbursing approximately one-half (1/2) directly to the School District, rather than directly to the Plan. Retirement reimbursement revenues totalled \$ 198,689 in 2011.

The following information regarding the pension plan has been provided by the Public School Employees' Retirement System (PSERS) under the disclosure requirements of GASB Statement Number 27, "Accounting for Pensions by State and Local Governmental Employers".

PLAN DESCRIPTION

Name of Plan -

The Public School Employees' Retirement System (the System).

Type of Plan -

Governmental cost sharing multiple-employer defined benefit plan.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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 Number 96 of October 2, 1975, as amended) (24 Pennsylvania C.S. 8101-8535).

Annual Financial Report -

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, Post Office Box 125, Harrisburg, Pennsylvania 17108-0125. The report is also available in the publication section of the PSERS site on the internet at [www.psers.state.pa.us/publications/cafr/index.htm](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, 2011, the rate of employer's contribution was 5.64 percent of covered payroll.

The 5.64 percent rate is composed of a pension contribution rate of 5.00 percent for pension benefits and .64 for healthcare insurance premium assistance.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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The employer contribution rate for the fiscal year ended June 30, 2012, will increase to 8.65 percent of covered payroll.

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows for governmental activities:

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
<u>Governmental</u>				
<u>Activities:-</u>				
<u>Capital Assets</u>				
<u>Not Being</u>				
<u>Depreciated -</u>				
Land.....	\$ 40,000	\$	\$	\$ 40,000
Construction-in- Process.....		360,620		360,620
<u>Capital Assets</u>				
<u>Being</u>				
<u>Depreciated -</u>				
Land and Site Improvements...	2,477,616			2,477,616
Buildings and Building Improvements...	24,624,001			24,624,001
Furniture, Fixtures, and Equipment.....	4,681,951	111,439		4,793,390
Vehicles.....	923,617			923,617
Assets Under Capital Lease..	302,644			302,644
<b>TOTALS:-</b>	<b>\$ 33,049,829</b>	<b>\$ 472,059</b>	<b>\$ 0</b>	<b>\$ 33,521,888</b>

Accumulated  
Depreciation  
For -

Land and Site Improvements..	(\$ 878,670)	(\$ 93,810)	\$	(\$ 972,480)
Buildings and Building Improvements..	( 8,598,634)	( 465,784)		( 9,064,418)
Furniture, Fixtures, and Equipment.....	( 3,618,688)	( 173,010)		( 3,791,698)
Vehicles.....	( 463,295)	( 61,556)		( 524,851)
Assets Under Capital Lease.....	( 181,823)	( 27,723)		( 209,546)

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

	<u>BALANCE</u> <u>JULY 1, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2011</u>
<u>TOTAL</u> <u>ACCUMULATED</u> <u>DEPRECI-</u> <u>ATION:-</u>	(\$ 13,741,110)	(\$ 821,883)	\$ 0	(\$ 14,562,993)
<u>Governmental</u> <u>Activities</u> <u>Capital Assets,</u> <u>Net:-</u>	<u>\$ 19,308,719</u>	<u>(\$ 349,824)</u>	<u>\$ 0</u>	<u>\$ 18,958,895</u>
<u>Business-Type</u> <u>Activities:-</u> <u>Capital Assets</u> <u>Being</u> <u>Depreciated -</u> Equipment.....\$ 95,856	\$ 95,856	\$	\$	\$ 95,856
<u>Accumulated</u> <u>Depreciation -</u>	( 83,680)	( 3,949)		( 87,629)
<u>Business-Type</u> <u>Activities</u> <u>Capital Assets,</u> <u>Net:-</u>	<u>\$ 12,176</u>	<u>(\$ 3,949)</u>	<u>\$ 0</u>	<u>\$ 8,227</u>

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

<u>Governmental Activities:-</u>	
<u>Instruction -</u>	
Regular Programs.....	\$ 382,128
Special Programs.....	109,134
Vocational Instruction.....	21,425
Other Instructional Programs.....	2,315
<u>Support Services -</u>	
Pupil Personnel.....	19,029
Instructional Staff Services.....	32,988
Administrative Services.....	58,326
Pupil Health.....	11,777
Business Services.....	9,478
Operation and Maintenance of Plant Services.....	88,977
Transportation Services.....	37,199
Data Processing Services.....	17,880
Other Support Services.....	782
Staff Development.....	326
<u>Non-Instructional Services -</u>	
Student Activities.....	<u>30,119</u>
<u>TOTAL DEPRECIATION EXPENSE, GOVERNMENTAL ACTIVITIES:-</u>	<u>\$ 821,883</u>

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Depreciation expense of \$ 3,949 was charged to the School District's business-type activities at June 30, 2011.

7. COMMITMENTS AND CONTINGENCIES

COMPENSATED ABSENCES

Employees of the School District are entitled to paid vacation, paid sick days, and personal days off depending on length of service and other factors.

Employees are represented by labor unions, and each contract contains different provisions for such employee-compensated absences. In addition, management and other non-union employees have contracts or agreements with the School District that provide for compensated absences.

The sick leave calculated at June 30, 2011, is \$ 228,302, with the obligation being recorded in long-term debt of the governmental activities section of the entity-wide statement of net assets.

Previously, a vacation policy was adopted for Act 93 Confidential Employees. Unused vacation days may be carried forward up to a maximum of 20 days. A liability of \$ 51,024 has been recognized as compensated absences in long-term debt of the governmental activities section of the entity-wide statement of net assets.

Compensated absences of the proprietary (food service) fund are \$ 4,218 as of June 30, 2011, and is recorded in the financial statements of the proprietary fund.

GRANT PROGRAMS

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audit scopes of these program compliance audits are different than the scope of financial audits performed by an outside, independent certified public accounting firm.

LITIGATION

In the normal course of operations, the School District may be involved in various civil disputes, principally regarding property tax appeals, as well as grievances filed by union members. Management and counsel are of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

8. HEALTH INSURANCE CONSORTIUM

The West Middlesex Area School District is a member of the Western Pennsylvania Schools Health Care Consortium (Consortium). The Consortium was formed on July 1, 1999, with the intention to provide medical benefits on a collective basis, and to provide coverage for School District employees. The School District believes a savings on insurance expense will result due to a larger group of insured individuals. Each participating School District

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

makes monthly payments to the Consortium. The Consortium then reimburses a third party payor for payments made to medical service providers for allowable services provided to eligible individuals covered under the Consortium umbrella. A third party also charges the Consortium an administrative fee for its services. The Consortium has purchased stop-loss insurance to limit their exposure on individual claims, as well as in aggregate for the fiscal year. As of June 30, 2011, the Consortium has net assets of \$ 9,772,773, using a cash basis of accounting, which does not reflect liabilities incurred as of June 30, 2011.

Health insurance costs for fiscal year 2011 were approximately \$ 1,400,000. Budgeted healthcare costs for fiscal year 2012 are approximately \$ 1,650,000. The School District has not received their June 30, 2011 Health Consortium audit report as of the date of this audit report.

9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

PLAN DESCRIPTION

The West Middlesex Area School District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The Plan provides healthcare insurance (including prescription) and a death benefit for various periods after retirement. Coverage, premium sharing, and life insurance amounts vary by employee classification.

ANNUAL OTHER POST-EMPLOYMENT BENEFIT COST AND NET OTHER POST-EMPLOYMENT BENEFIT OBLIGATION

The School District's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed thirty (30) years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation to the Retiree Health Plan:

Annual Required Contribution.....	\$ 773,247
Interest on Net OPEB Obligation.....	15,940
Adjustment to Annual Required Contribution.....	( 68,676)
<u>ANNUAL OPEB COST:-</u>	\$ 720,511
Contributions Made *.....	( 400,522)
<u>INCREASE IN NET OPEB OBLIGATION:-</u>	\$ 319,989
Net OPEB Obligation - Beginning of Year.....	352,224
<u>NET OPEB OBLIGATION - END OF YEAR:-</u>	<u>\$ 672,213</u>

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

\* Actuarially determined. The School District paid premiums on behalf of active members should be adjusted for purposes of financial reporting to reflect the actuarially determined contribution (rather than the premium) allocated to the retirees.

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2010 and 2011:

<u>YEAR ENDED</u> <u>DECEMBER 31</u>	<u>ANNUAL</u> <u>OPEB COST</u>	<u>PERCENTAGE</u> <u>OF ANNUAL</u> <u>OPEB COST</u> <u>CONTRIBUTED</u>	<u>NET OPEB</u> <u>OBLIGATION</u>
2010.....	\$ 772,247	54.4%	\$ 352,224
2011.....	720,511	55.6%	672,213

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent actuarial valuation date, the Plan was 0 percent funded. The actuarial accrued liability for benefits was \$ 3,318,620, and the actuarial value of assets was \$ - 0 -, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 3,318,620. The covered payroll (annual payroll of active employees covered by the Plan) was \$ 6,077,902, and the ratio of the UAAL to the covered payroll was 54.60 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

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

The following assumptions were made and methods used:

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Actuarial Cost Method - Entry Age Normal -

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Interest Rate -

4.5 percent

Participant Data -

Based on census information as of May 2010.

Pre and Post-Retirement Mortality -

Separate rates are assumed pre-retirement and post-retirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

Retirement -

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

<u>AGE</u>	<u>AGE 55 AND</u>		<u>35 YEARS OF SERVICE,</u>	
			<u>OR AGE 62 AND</u>	
			<u>1 YEAR OF SERVICE,</u>	
			<u>OR AGE 60 AND</u>	
	<u>25 YEARS OF SERVICE</u>		<u>30 YEARS OF SERVICE</u>	
	<u>MALE</u>	<u>FEMALE</u>	<u>MALE</u>	<u>FEMALE</u>
55.....	10%	10%	24%	10%
56.....	15%	12%	24%	10%
57.....	15%	12%	24%	25%
58.....	15%	12%	24%	25%
59.....	18%	17%	28%	25%
60.....	10%	15%	28%	25%
61.....	30%	30%	50%	47%
62.....	30%	30%	30%	30%
63.....	28%	20%	28%	20%
64.....	28%	28%	28%	28%
65.....	100%	100%	100%	100%

Disability -

None assumed



WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Marital Status -

50 percent of active participants are assumed to have a covered spouse at retirement. Wives are assumed to be two (2) years younger than their husbands.

Participation -

Medical - 100 percent of teachers and administrators and 50 percent of the support staff are assumed to elect coverage. Current deferred retirees are assumed to elect coverage at age 62 or the valuation date, if later.

Life Insurance - 100 percent of eligible employees assumed to participate in the post-retirement life insurance program.

Healthcare rates are assumed to reflect the following:

<u>YEAR</u>	<u>RATE OF MEDICAL INFLATION</u>
2010.....	7.5%
2011.....	7.0%
2012.....	6.5%
2013.....	6.0%
2014.....	5.5%
2015 and later.....	5.0%

Per Capita Claims Cost -

Making use of weighted averages for various plan designs, the per capita cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender. The resulting costs are as follows:

<u>AGE</u>	<u>MEDICAL AND PRESCRIPTION DRUG COMBINED</u>	
	<u>MALES</u>	<u>FEMALES</u>
45-49.....	\$ 4,152	\$ 5,996
50-54.....	5,499	6,777
55-59.....	6,697	7,091
60-64.....	8,739	8,146

Retiree Contributions -

Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

Withdrawal -

Rates of withdrawal vary by age, gender, and years of service. Sample rates for employees with more than ten (10) years of service are shown below. Rates for new employees start at 14 percent for both men and women and decrease with age and service.

<u>AGE</u>	<u>MALE</u> <u>RATE</u>	<u>FEMALE</u> <u>RATE</u>
25.....	1.4000%	4.0000%
30.....	1.4000%	4.0000%
35.....	1.1000%	2.0000%
40.....	0.8000%	1.0000%
45.....	0.5500%	0.5500%
50.....	1.7800%	1.5000%
55.....	1.7800%	3.0000%
60.....	4.5000%	5.9000%

Salary -

An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 3 percent cost of living adjustment, 1 percent real wage growth, and for teachers and administrators a merit increase which varies by age from 3 percent to 0.25 percent.

Amortization Period -

30 year amortization

Amortization Method -

Level dollar, open amortization

Actuarial Value of Plan Assets -

The School District does not accumulate assets in a dedicated trust, or an equivalent arrangement, for purposes of funding its retiree healthcare obligation. Therefore, the actuarial value of plan assets is zero.

Type of Entity -

Single employer plan: A plan that covers the current and former employees, including beneficiaries of only one (1) employer.

A schedule of funding progress is presented on Page 65.

10. CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Certain employees of the School District are members of labor unions. The contract with the teachers' union expires August 31, 2017. The contract with

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

the cafeteria union is through the 2012-2013 fiscal year. The contract with the support union is through the 2015-2016 fiscal year.

11. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011, is as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	Cafeteria Fund.....	\$ 13,374
Capital Reserve Fund	General Fund.....	<u>1,038,488</u>
<u>TOTAL:-</u>		<u>\$ 1,051,862</u>

12. INTERFUND TRANSFERS

The composition of and purpose of transfers between funds during 2010 is as follows:

<u>RECIPIENT FUND</u>	<u>PAYEE FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Debt Service	General Fund	Debt Payments.....	\$ 1,187,085
Capital Reserve	General Fund	Capital Projects.....	<u>1,053,707</u>
<u>TOTAL:-</u>			<u>\$ 2,240,792</u>

On the entity-wide statement of activities, all interfund transfers have been eliminated.

13. RESTRICTED NET ASSETS

The following is a schedule of restricted net assets in the entity-wide financial statements:

Capital Projects and Capital Reserve.....	\$ 6,130,910
Debt Service.....	<u>436,906</u>
<u>TOTAL:-</u>	<u>\$ 6,567,816</u>

14. INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

At June 30, 2011, invested in capital assets, net of related debt is composed of the following:

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
Net Capital Assets.....	\$ 18,958,895	\$ 8,227	\$ 18,967,122

WEST MIDDLESEX AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
Capital Asset Related Debt.....	( 17,467,272)	_____	( 17,467,272)
<b><u>TOTAL:-</u></b>	<b><u>\$ 1,491,623</u></b>	<b><u>\$ 8,227</u></b>	<b><u>\$ 1,499,850</u></b>

15. ACCRUED SALARIES AND BENEFITS

The major components of this accrued liability relates to salaries and benefits of certain contractually employed personnel which are paid over a twelve (12) month period from September to August but are earned during a school year of approximately nine (9) to ten (10) months. The salaries and benefits earned but unpaid at June 30, 2011, are estimated to be \$ 961,553 for the general fund. This liability has been recorded in the financial statements of the general fund as of June 30, 2011.

16. SCHOOL RENOVATIONS

During fiscal year 2011, the School Board approved a renovation project for Luther Low Elementary School. The estimated cost of the project is \$ 6.7 million, with completion anticipated in August 2012. The School District intends to finance this project with existing funds from the capital reserve and general funds.

17. BOND REFUNDING

Subsequent to June 30, 2011, the School District refunded the 2006 General Obligation Term Note and a portion of the Series of 2007 General Obligation Bonds at more favorable interest rates.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>SOURCE</u> <u>CODE</u>	<u>FEDERAL</u> <u>C.F.D.A.</u> <u>NUMBERS</u>	<u>PASS THROUGH</u> <u>GRANTOR'S</u> <u>NUMBERS</u>	<u>GRANT PERIOD</u> <u>BEGINNING/ENDING</u>	<u>PROGRAM OR</u> <u>AWARD</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>RECEIVED</u> <u>FOR THE YEAR</u>	<u>ACCRUED OR</u> <u>(DEFERRED)</u> <u>REVENUE</u> <u>JULY 1, 2010</u>	<u>REVENUE</u> <u>RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR</u> <u>(DEFERRED)</u> <u>REVENUE</u> <u>JUNE 30, 2011</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:-</u>										
<u>PASSED THROUGH THE PENNSYLVANIA</u>										
<u>DEPARTMENT OF EDUCATION -</u>										
<u>Nutrition Cluster (B) -</u>										
School Breakfast Program.....	I	10.553	367-000000	07/01/10 - 06/30/11	\$ 22,754	\$ 22,754	\$ 0	\$ 22,754	\$ 22,754	\$ 0
National School Lunch Program... Value of U.S.D.A. Donated Commodities (Non-Cash Assistance National School Lunch Program.....	I	10.555	362-000000	07/01/10 - 06/30/11	164,643	\$ 164,643	\$	\$ 164,643	\$ 164,643	\$ 0
	I	10.555	104437503	07/01/10 - 06/30/11	25,387	20,216	( 8,561)	23,348	23,348	( 5,429)
<u>SUBTOTAL - C.F.D.A. NUMBER 10.555:-</u>						\$ 184,859	(\$ 8,561)	\$ 187,991	\$ 187,991	(\$ 5,429)
<u>TOTAL CHILD NUTRITION CLUSTER:-</u>						\$ 207,613	(\$ 8,561)	\$ 210,745	\$ 210,745	(\$ 5,429)
National School Lunch Program (State Matching Funds).....	S	N/A	104437503	07/01/10 - 06/30/11	16,362	\$ 16,362	\$	\$ 16,362	\$ 16,362	\$ 0
(State Standards Incentive Funds).....	S	N/A	104437503	07/01/10 - 06/30/11	2,727	2,727		2,727	2,727	0
School Breakfast Program (State Matching Funds).....	S	N/A	104437503	07/01/10 - 06/30/11	2,082	2,082		2,082	2,082	0
(State Standards Incentive Funds).....	S	N/A	104437503	07/01/10 - 06/30/11	208	208		208	208	0
<u>SUBTOTAL STATE FUNDS:-</u>						\$ 21,379	\$ 0	\$ 21,379	\$ 21,379 <sup>(1)</sup>	\$ 0
<u>TOTAL U.S. DEPARTMENT OF</u> <u>AGRICULTURE:-</u>						\$ 228,992	(\$ 8,561)	\$ 232,124	\$ 232,124	(\$ 5,429)
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN</u>										
<u>SERVICES:-</u>										
<u>CENTERS FOR MEDICARE AND MEDICAID</u>										
<u>SERVICES -</u>										
Medical Assistance Program.....	I	93.778	104437503	07/01/10 - 06/30/11	\$ 70,774	\$ 41,157	\$	\$ 70,774	\$ 70,774	\$ 29,617
Medical Assistance Program.....	I	93.778	104437503	07/01/09 - 06/30/10	78,735	18,343	18,343			0
<u>TOTAL U.S. DEPARTMENT OF HEALTH</u> <u>AND HUMAN SERVICES:-</u>						\$ 59,500	\$ 18,343	\$ 70,774	\$ 70,774	\$ 29,617

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>SOURCE</u> <u>CODE</u>	<u>FEDERAL</u> <u>C.F.D.A.</u> <u>NUMBERS</u>	<u>PASS THROUGH</u> <u>GRANTOR'S</u> <u>NUMBERS</u>	<u>GRANT PERIOD</u> <u>BEGINNING/ENDING</u>	<u>PROGRAM OR</u> <u>AWARD</u> <u>AMOUNT</u>	<u>TOTAL</u> <u>RECEIVED</u> <u>FOR THE YEAR</u>	<u>ACCRUED OR</u> <u>(DEFERRED)</u> <u>REVENUE</u> <u>JULY 1, 2010</u>	<u>REVENUE</u> <u>RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR</u> <u>(DEFERRED)</u> <u>REVENUE</u> <u>JUNE 30, 2011</u>
<u>U.S. DEPARTMENT OF EDUCATION:-</u>										
<u>PASSED THROUGH PENNSYLVANIA</u>										
<u>DEPARTMENT OF EDUCATION:-</u>										
<u>(American Recovery and Reinvestment</u>										
<u>Act [ARRA]):-</u>										
Basic Education Stabilization										
	I	84.394	104437503	07/01/09 - 06/30/10	\$ 636,558	\$ 159,139	\$ 159,139	\$	\$	\$ 0
Basic Education Stabilization										
	I	84.394	104437503	07/01/10 - 06/30/11	641,718	267,383		641,718	641,718	374,335
<u>SUBTOTAL - C.F.D.A. NUMBER 84.394:-</u>						<u>\$ 426,522</u>	<u>\$ 159,139</u>	<u>\$ 641,718</u>	<u>\$ 641,718</u> <sup>(2)</sup>	<u>\$ 374,335</u>
ARRA - Educations Jobs Fund.....										
		84.410	104437503	07/01/10 - 06/30/11	380,312	\$ 380,312	\$ 0	\$ 380,312	\$ 380,312 <sup>(3)</sup>	\$ 0
<u>TOTAL U.S. DEPARTMENT OF</u>						<u>\$ 806,834</u>	<u>\$ 159,139</u>	<u>\$ 1,022,030</u>	<u>\$ 1,022,030</u>	<u>\$ 374,335</u>
<u>EDUCATION:-</u>										
<u>TOTAL FEDERAL ASSISTANCE:-</u>						<u>\$ 1,095,326</u>	<u>\$ 168,921</u>	<u>\$ 1,324,928</u>	<u>\$ 1,324,928</u>	<u>\$ 398,523</u>

TEST OF 50% RULE

Total Expenditures.....\$ 1,324,928  
 LESS: State Matching Funds (1).....( 21,379)

TOTAL FEDERAL EXPENDITURES:- \$ 1,303,549

Basic Education Stabilization Act (2).....\$ 641,718  
 Education Jobs Fund (3).....380,312

TOTAL MAJOR PROGRAMS:- \$ 1,022,030  
TOTAL FEDERAL EXPENDITURES:- \$ 1,303,549 = 78%

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

(A) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the West Middlesex Area School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(B) Cluster as defined by Circular Number A-133 "Audits of States, Local Governments, and Non-Profit Organizations".

SOURCE CODES:  
 I - Indirect Federal Funding  
 D - Direct Federal Funding  
 S - State Funding

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December 27, 2011

Board of Directors  
West Middlesex Area School District  
West Middlesex, Pennsylvania 16159

**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"**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of West Middlesex Area School District, Pennsylvania, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the West Middlesex Area School District, Pennsylvania, 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 West Middlesex Area School District, Pennsylvania, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

COMPLIANCE AND OTHER MATTERS

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 27, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the School District, 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.

*Black, Bashor & Porsch, LLP*

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**Black, Bashor & Porsch, LLP**  
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Nancy J. Black, CPA  
Ruth Ann Sholler, CPA  
Jason E. Tomko, CPA

December 27, 2011

Board of Directors  
West Middlesex Area School District  
West Middlesex, Pennsylvania 16159

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**COMPLIANCE**

We have audited the compliance of the West Middlesex Area School District, Pennsylvania, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement" that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2011. The West Middlesex Area School District, Pennsylvania, major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the West Middlesex Area School District, Pennsylvania, management. Our responsibility is to express an opinion on the West Middlesex Area School District, Pennsylvania, 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 the "Government Auditing Standards" issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the West Middlesex Area School District, Pennsylvania, compliance with those requirements and performing such

other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the West Middlesex Area School District, Pennsylvania, compliance with those requirements.

In our opinion, the West Middlesex Area School District, Pennsylvania, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

#### INTERNAL CONTROL OVER COMPLIANCE

The management of the West Middlesex Area School District, Pennsylvania, 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 the West Middlesex Area School District, Pennsylvania, internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the West Middlesex Area School District, Pennsylvania, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies,

significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the School District, 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.

*Black, Bashor & Porsch, LLP*

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WEST MIDDLESEX AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the West Middlesex Area School District, Pennsylvania.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With "Government Auditing Standards".
3. No instances of noncompliance material to the financial statements of the West Middlesex Area School District, Pennsylvania, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the West Middlesex Area School District, Pennsylvania, expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the West Middlesex Area School District, Pennsylvania, are reported in Part C of this Schedule.
7. The programs tested as major programs include:

<u>NAME</u>	<u>C.F.D.A. NUMBERS</u>
ARRA - Education Jobs Fund.....	84.410
ARRA - Basic Education Stabilization Fund..	84.394

8. The threshold for distinguishing Types A and B programs was \$ 300,000.
9. The West Middlesex Area School District, Pennsylvania, was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

WEST MIDDLESEX AREA SCHOOL DISTRICT  
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

FINDINGS - FINANCIAL STATEMENTS AUDIT

None

REQUIRED SUPPLEMENTARY INFORMATIONSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUALGENERAL FUNDFOR THE YEAR ENDED JUNE 30, 2011(UNAUDITED)

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>WITH FINAL</u>
				<u>BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<u>REVENUES:-</u>				
Local Revenues	\$ 5,335,148	\$ 5,335,148	\$ 5,677,631	\$ 342,483
State Program Revenues	7,930,688	7,930,688	7,172,393	(758,295)
Federal Program Revenues	180,000	180,000	1,236,471	1,056,471
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL REVENUES:-</u>	<u>\$ 13,445,836</u>	<u>\$ 13,445,836</u>	<u>\$ 14,086,495</u>	<u>\$ 640,659</u>
<u>EXPENDITURES:-</u>				
Regular Programs	\$ 5,864,953	\$ 5,372,878	\$ 5,372,655	\$ 223
Special Programs	1,675,005	1,480,960	1,480,119	841
Vocational Programs	328,825	328,825	302,913	25,912
Other Instructional Programs	35,535	41,380	21,045	20,335
Higher Educational Programs	28,000	28,000	24,082	3,918
Pupil Personnel Services	292,065	291,650	257,901	33,749
Instructional Staff Services	506,311	529,246	488,120	41,126
Administrative Services	895,199	897,672	811,231	86,441
Pupil Health	180,760	180,760	174,745	6,015
Business Services	145,470	141,170	128,470	12,700
Operation and Maintenance of Plant Services	1,365,634	1,177,604	1,102,949	74,655
Student Transportation Services	570,935	556,665	544,350	12,315
Data Processing Services	274,425	263,225	222,254	40,971
Staff Development	5,000	5,000	507	4,493
Other Support Services	12,000	12,000	10,779	1,221
Student Activities	462,275	450,655	354,989	95,666
Facilities Acquisition and Improvements	0	100,020	0	100,020
Debt Services	254,375	254,725	254,382	343
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL EXPENDITURES:-</u>	<u>\$ 12,896,767</u>	<u>\$ 12,112,435</u>	<u>\$ 11,551,491</u>	<u>\$ 560,944</u>
<u>EXCESS OF REVENUES OVER</u> <u>EXPENDITURES:-</u>	<u>\$ 549,069</u>	<u>\$ 1,333,401</u>	<u>\$ 2,535,004</u>	<u>\$ 1,201,603</u>

REQUIRED SUPPLEMENTARY INFORMATIONSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCEBUDGET AND ACTUALGENERAL FUNDFOR THE YEAR ENDED JUNE 30, 2011(UNAUDITED)

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>WITH FINAL</u> <u>BUDGET</u> <u>POSITIVE</u> <u>(NEGATIVE)</u>
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):-</u>				
Refund of Prior Year Expenses	\$ 16,000	\$ 16,000	\$ 105,789	\$ 89,789
Operating Transfers Out	(1,390,720)	(2,240,792)	(2,240,792)	0
Budgetary Reserve	(70,000)	(4,260)		4,260
<u>TOTAL OTHER FINANCING SOURCES (USES):-</u>	<u>\$ (1,444,720)</u>	<u>\$ (2,229,052)</u>	<u>\$ (2,135,003)</u>	<u>\$ 94,049</u>
<u>NET CHANGE IN FUND BALANCE:-</u>	<u>\$ (895,651)</u>	<u>\$ (895,651)</u>	<u>\$ 400,001</u>	<u>\$ 1,295,652</u>
<u>BEGINNING FUND BALANCE AND RESERVE:-</u>	<u>1,533,899</u>	<u>1,533,899</u>	<u>2,661,314</u>	<u>1,127,415</u>
<u>ENDING FUND BALANCE AND RESERVE:-</u>	<u>\$ 638,248</u>	<u>\$ 638,248</u>	<u>\$ 3,061,315</u>	<u>\$ 2,423,067</u>

WEST MIDDLESEX AREA SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2011

(UNAUDITED)

<u>ACTUARIAL</u> <u>VALUATION</u> <u>DATE</u>	<u>ACTUARIAL</u> <u>VALUE OF</u> <u>ASSETS (a)</u>	<u>ACTUARIAL</u> <u>ACCRUED</u> <u>LIABILITY</u> <u>(AAL)</u> <u>PROJECTED UNIT</u> <u>CREDIT (b)</u>	<u>UNFUNDED</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>FUNDED</u> <u>RATIO</u> <u>(a ÷ b)</u>	<u>COVERED</u> <u>PAYROLL (c)</u>	<u>UAAL</u> <u>AS A</u> <u>PERCENTAGE</u> <u>OF COVERED</u> <u>PAYROLL</u> <u>[(b - a) ÷ c]</u>
07/01/09	\$ 0	\$ 3,318,620	\$ 3,318,620	0.0%	\$ 6,077,902	54.60%

NOTE: July 1, 2009 is the first (and only to-date) valuation performed for the Plan.



BALANCE SHEET

DEBT SERVICE FUND

AS OF JUNE 30, 2011

DEBT SERVICE  
FUND

A S S E T S

ASSETS:-

Cash and Cash Equivalents

\$ 436,906

L I A B I L I T I E S   A N D   F U N D   B A L A N C E

LIABILITIES:-

\$ 0

FUND BALANCE RESERVED:-

Debt Service

\$ 436,906

TOTAL FUND BALANCE:-

\$ 436,906

TOTAL LIABILITIES AND FUND BALANCE:-

\$ 436,906

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE

ALL NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>DEBT SERVICE FUND</u>
<u>REVENUES:-</u>	
Unrealized Gain on Investments	\$ <u>6,086</u>
<u>EXPENDITURES:-</u>	
Debt Service	\$ <u>1,187,085</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:-</u>	\$ <u>(1,180,999)</u>
<u>OTHER FINANCING SOURCES (USES):-</u>	
Transfer from the General Fund	\$ <u>1,187,085</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES):-</u>	\$ <u>6,086</u>
<u>BEGINNING FUND BALANCE:-</u>	<u>430,820</u>
<u>ENDING FUND BALANCE:-</u>	<u>\$ <u>436,906</u></u>

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**APPENDIX D**  
**Specimen Municipal Bond Insurance Premium**