

***ANTIETAM SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2011**

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**HERBEIN+COMPANY, INC.**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Antietam School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Antietam School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Antietam School District 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.

As discussed in Note 12 to the financial statements, Antietam School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, beginning with the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2011 on our consideration of Antietam School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund and schedule of funding progress - post-employment benefits plan 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 Antietam School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The accompanying schedule of federal awards 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.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 2, 2011

**ANTIETAM SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2011**

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

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

The District and Its Facilities

The Antietam School District serves an area of approximately 5.3 square miles. It is located in Berks County and consists of Lower Alsace Township and Mount Penn Borough. The population of this area is approximately 7,500.

The School District is comprised of three buildings. The Mount Penn Primary Center, opened in August 2005, houses grades K and 1. The Mount Penn Elementary Center houses grades 2 to 6, and the Middle-Senior High School houses grades 7 to 12.

The enrollment at Antietam School District for the 2010-2011 school year was 998 students, which was a decrease of 87 students over the prior year's enrollment of 1,085. Although projections from the Pennsylvania Department of Education are that the District will experience enrollment increases over the next six years, enrollment has been flat to decreasing over the past three years. Potential growth has been partially addressed with the 2005 renovations of the former Mt. Penn High School into a Primary Center and six additional classrooms being added to the Middle-Senior High School. The Primary Center has unused space and can accommodate more students, but additional renovations are required before the space would be usable.

**FINANCIAL HIGHLIGHTS**

Taxes, which include property taxes, public utility realty, and earned income taxes, accounted for 62.3% of the District's general revenues, and program specific revenue in the form of grants, entitlements and investment earnings accounted for 37.7% of general revenues.

Governmental activities expenditures in the general fund totaled \$14.2 million, of which \$8.2 million was spent on instructional services, \$4.2 million was spent on support services, \$.4 million was spent on non-instructional services, and \$1.4 million was spent on debt service.

## FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Antietam School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For Antietam, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong, such as student activity and scholarship funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Antietam School District's budget for the year.

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

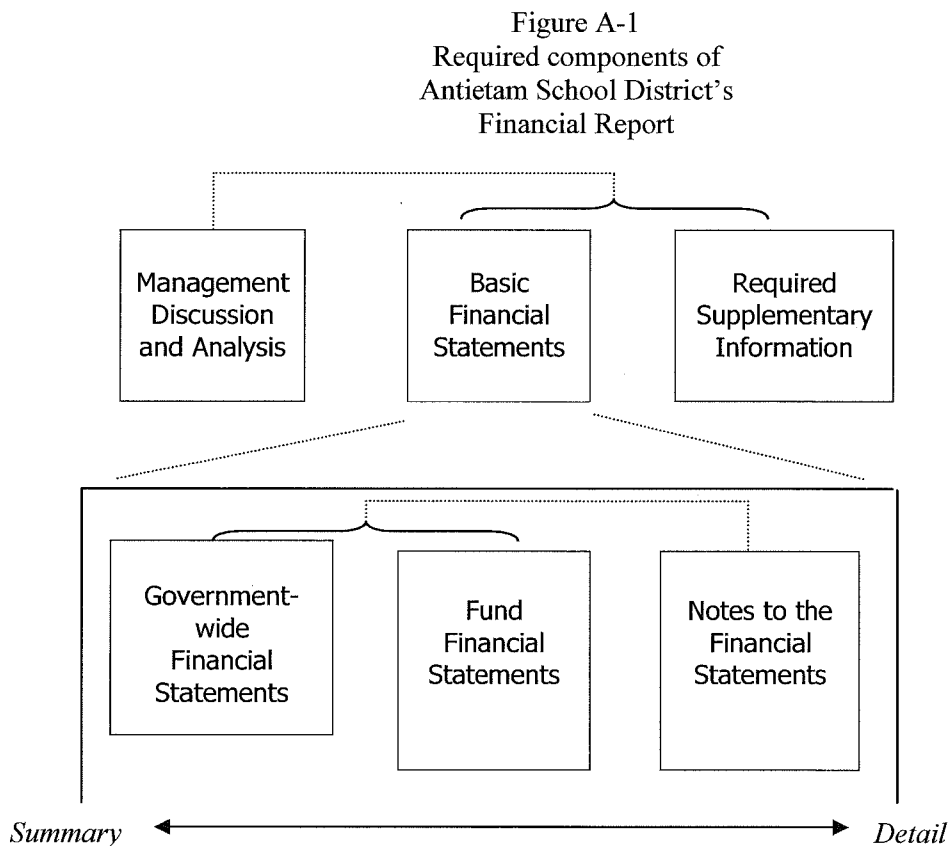


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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

	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services.	Activities the District operates similar to private business – Food Services.	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds and student activities monies.
Required financial statements.	Statement of net assets Statement of activities.	Balance Sheet Statement of revenues, expenditures, and changes in fund balance.	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows.	Statement of fiduciary net assets Statement of changes in fiduciary net assets.
Accounting basis and measurement focus.	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information.	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow-outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.



## OVERVIEW OF FINANCIAL STATEMENTS

### Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. The government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, you need to consider additional factors, such as changes in the projected enrollment of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as instruction, administration and community services. Taxes, state and federal subsidies and grants finance most of these activities.
- Business type activities –The District operates a food service operation and charges fees to staff and students to help it cover the costs of the food service operation.

### Fund Financial Statements

The District's financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They 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 fund statements provide a detailed short-term view of the School operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

The District's total net assets were \$5,659,432 at June 30, 2011.

Table A-1  
 Fiscal Years ended June 30, 2010 and June 30, 2011  
 Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current assets	\$ 6,720,548	\$ 6,908,753	\$24,502	\$18,297	\$ 6,745,050	\$ 6,927,050
Noncurrent assets	19,687,474	19,669,104	9,353	11,365	19,696,827	19,680,469
Other assets	346,310	386,313	0	0	346,310	386,313
<b>Total Assets</b>	<b>\$26,754,332</b>	<b>\$26,964,170</b>	<b>\$33,855</b>	<b>\$29,662</b>	<b>\$26,788,187</b>	<b>\$26,993,832</b>
Current liabilities	\$ 2,068,666	\$ 2,150,130	\$ 8,308	\$ 15,889	\$ 2,076,974	\$ 2,166,019
Long-term liabilities	19,057,508	19,168,381	0	0	19,057,508	19,168,381
<b>Total Liabilities</b>	<b>\$21,126,174</b>	<b>\$21,318,511</b>	<b>\$8,308</b>	<b>\$15,889</b>	<b>\$21,134,482</b>	<b>\$21,334,400</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$1,258,490	\$935,644	\$9,354	\$11,365	\$1,267,844	\$947,009
Restricted	82,274	53,833	0	0	82,274	53,833
Unrestricted	4,287,394	4,656,182	16,193	2,408	4,303,587	4,658,590
<b>Total Net Assets</b>	<b>\$5,628,158</b>	<b>\$5,645,659</b>	<b>\$25,547</b>	<b>\$13,773</b>	<b>\$5,653,705</b>	<b>\$5,659,432</b>

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The unrestricted portion of the District's net assets at June 30, 2011 is \$4,658,590.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is taxes.

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

Table A-2  
 Fiscal Years ended June 30, 2010 and June 30, 2011  
 Changes in Net Assets from Operating Results

	Governmental		Business-Type		Total	
	2010	2011	2010	2011	2010	2011
<b>Revenues</b>						
Program Revenue						
Charges for services	\$ 54,017	\$ 76,029	\$267,300	\$262,050	\$ 321,317	\$ 338,079
Operating grants & contributions	2,499,471	2,548,017	235,764	221,739	2,735,235	2,769,756
Capital grants and contributions	109,088	76,102	0	0	109,088	76,102
General revenues	12,163,144	12,042,572	34	14	12,163,178	12,042,586
<b>Total Revenues</b>	<b>\$14,825,720</b>	<b>\$14,742,720</b>	<b>\$503,098</b>	<b>\$483,803</b>	<b>\$15,328,818</b>	<b>\$15,226,523</b>
<b>Expenses</b>						
Regular Instruction	\$6,117,362	\$6,387,455	\$ 0	\$ 0	\$6,117,362	\$6,387,455
Special Instruction	1,758,679	2,021,111	0	0	1,758,679	2,021,111
Vocational Instruction	384,235	418,178	0	0	384,235	418,178
Other Instructional Programs	122,864	138,568	0	0	122,864	138,568
Pupil Personnel	498,385	505,329	0	0	498,385	505,329
Instructional Staff	409,054	387,529	0	0	409,054	387,529
Administration	1,288,313	1,295,270	0	0	1,288,313	1,295,270
Pupil Health	152,183	146,982	0	0	152,183	146,982
Business Services	259,651	299,685	0	0	259,651	299,685
Operation & Maintenance of Plant	1,558,974	1,550,376	0	0	1,558,974	1,550,376
Student Transportation Services	185,056	171,981	0	0	185,056	171,981
Central Services	298,204	286,254	0	0	298,204	286,254
Other Support Services	9,308	7,719	0	0	9,308	7,719
Student Activities	321,250	345,125	0	0	321,250	345,125
Community Services	13,148	10,178	0	0	13,148	10,178
Interest on Long-Term Debt	761,046	753,479	0	0	761,046	753,479
Food Services	0	0	468,747	495,577	468,747	495,577
<b>Total Expenses</b>	<b>\$14,137,712</b>	<b>\$14,725,219</b>	<b>\$468,747</b>	<b>\$468,747</b>	<b>\$14,606,459</b>	<b>\$15,220,796</b>
<b>Increase(Decrease) in Net Assets</b>	<b>\$688,008</b>	<b>\$17,501</b>	<b>\$34,351</b>	<b>(\$11,774)</b>	<b>\$722,359</b>	<b>\$5,727</b>

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Table A-3 shows the District's total cost of services and net cost (total cost less revenues generated by the activities) for each function. This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

Table A-3  
 Fiscal Years ended June 30, 2010 and June 30, 2011  
 Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2011	2010-11	2010	2011	2010-11
Regular Instruction	\$6,117,362	\$6,387,455	4.42%	\$5,253,780	\$5,339,183	1.63%
Special Instruction	1,758,679	2,021,111	14.92%	554,844	923,421	66.43%
Vocational Instruction	384,235	418,178	8.83%	330,964	418,178	26.35%
Other Instructional Programs	122,864	138,568	12.78%	115,789	130,347	12.57%
Pupil Personnel	498,385	505,329	1.39%	393,654	417,742	6.12%
Instructional Staff	409,054	387,529	-5.26%	387,692	367,194	-5.29%
Administration	1,288,313	1,295,270	.54%	1,233,891	1,229,576	-.35%
Pupil Health	152,183	146,982	-3.42%	119,906	113,359	-5.46%
Business Services	259,651	299,685	15.42%	248,784	286,289	15.08%
Operation & Maintenance of Plant	1,558,974	1,550,376	-.55%	1,528,477	1,505,740	-1.49%
Student Transportation Services	185,056	171,981	-7.07%	74,046	53,777	-27.37%
Central Services	298,204	286,254	-4.01%	257,206	226,291	-12.02%
Other Support Services	9,308	7,719	-17.07%	9,308	7,719	-17.07%
Student Activities	321,250	345,125	7.43%	301,689	318,700	5.64%
Community Services	13,148	10,178	-22.59%	13,148	10,178	-22.59%
Interest on Long-Term Debt	761,046	753,479	-.99%	651,958	677,377	3.90%
	<u>\$14,137,712</u>	<u>\$14,725,219</u>	<u>4.16%</u>	<u>\$11,475,136</u>	<u>\$12,025,071</u>	<u>4.79%</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4  
 Fiscal Years ended June 30, 2010 and June 30, 2011  
 Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2011	2010-11	2010	2011	2010-11
Food Services	<u>\$468,747</u>	<u>\$495,577</u>	<u>5.72%</u>	<u>\$34,317</u>	<u>(\$11,788)</u>	<u>-134.35%</u>

The Statement of Revenues, Expenses and Changes in Fund Net Assets for this proprietary fund will further detail the actual results of operations.

Fund Balances

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$5,577,984, which is an increase of \$136,516 from June 30, 2010. The increase in the fund balance is due to the strict management of expenditures.

General Fund:

The unassigned fund balance of \$1,285,220 is 9.1% of the general fund expenditures. The committed fund balance of \$2,485,743 will be used primarily for future retirement costs, which are projected to increase from 5.64% of salaries in 2010-2011 to 21.18% of salaries in 2014-2015.

Capital Projects Fund:

The restricted fund balance of \$1,131,688 will be used for an electrical system upgrade at the Mount Penn Elementary Center and the replacement of existing unit ventilators at the Mount Penn Elementary Center and Middle/Senior High School. The assigned fund balance of \$675,333 will be used for the repair, maintenance, and replacement of the District's capital assets on a prioritized basis, as approved by the Board of School Directors.

General Fund Budget

During the fiscal year the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The Budgetary Reserve includes amounts that may be transferred into expenditure accounts for unplanned expenditures. These amounts will only be appropriated into expenditure categories when the expenditure is necessary for the operation of the District. Any budget reserve amount not appropriated during the year will become part of the unreserved fund balance and available for future years' budgeting.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2011, the District had \$19,669,104 in governmental activities and \$11,365 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Table A-5  
 Governmental and Business-Type Activities  
 Fiscal years ended June 30, 2010 and June 30, 2011  
 Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	130,815	170,774	0	0	130,815	170,774
Buildings and						
Building Improvements	19,091,309	17,252,740	0	0	19,091,309	17,252,740
Furniture and Equipment	20,760	925,185	9,353	11,365	30,113	936,550
Construction in Progress	134,534	1,010,349	0	0	134,534	1,010,349
	<u>\$ 19,687,474</u>	<u>\$ 19,669,104</u>	<u>\$ 9,353</u>	<u>\$ 11,365</u>	<u>\$ 19,696,827</u>	<u>\$ 19,680,469</u>

### Debt Administration

Bond Obligations – As of June 30, 2010 and June 30, 2011 the Antietam School District had outstanding bond obligations of \$19,900,000 and \$20,075,000, respectively.

Leases – The District has entered into three capital leases for technology equipment and three operating leases for copiers.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

### **FACTORS BEARING ON ANTIETAM SCHOOL DISTRICT'S FUTURE**

Factors that will affect the future finances of the District are employee health benefits, PSERS retirement rates (2011-2012 actual: 8.65%, 2012-2013 projected: 12.19%, and 2013-2014 projected: 16.69%), collective bargaining agreements with the Education Association, and future funding by the Pennsylvania Department of Education.

### **CONTACTING THE SCHOOL FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of School Director's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Antietam School District, 100 Antietam Road, Reading, PA 19606.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

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<b>ASSETS</b>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 6,151,372	\$ 4,907	\$ 6,156,279
Taxes Receivable, Net	399,102	-	399,102
Internal Balances	17,137	(17,137)	-
Intergovernmental Receivables	333,929	13,286	347,215
Other Receivables, Net	7,213	-	7,213
Inventories	-	17,241	17,241
	<hr/>	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	6,908,753	18,297	6,927,050
<b>NONCURRENT ASSETS</b>			
Land	310,056	-	310,056
Land Improvements, Net of Depreciation	170,774	-	170,774
Building and Building Improvements, Net of Depreciation	17,252,740	-	17,252,740
Furniture and Equipment, Net of Depreciation	925,185	11,365	936,550
Construction in Progress	1,010,349	-	1,010,349
	<hr/>	<hr/>	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	19,669,104	11,365	19,680,469
<b>OTHER ASSETS</b>			
Bond Issuance Costs, Net of Amortization	386,313	-	386,313
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<u>\$ 26,964,170</u>	<u>\$ 29,662</u>	<u>\$ 26,993,832</u>

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See accompanying notes.

<b>LIABILITIES AND NET ASSETS</b>	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 356,359	\$ 10,444	\$ 366,803
Intergovernmental Payables	10,160	-	10,160
Accrued Salaries and Benefits	694,869	396	695,265
Accrued Interest	187,960	-	187,960
Deferred Revenue	807	5,049	5,856
Current Portion of Long-Term Obligations	823,750	-	823,750
Current Portion of Compensated Absences	76,225	-	76,225
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,150,130</b>	<b>15,889</b>	<b>2,166,019</b>
<b>NONCURRENT LIABILITIES</b>			
Bonds Payable	19,365,000	-	19,365,000
Deferred Refunding Gain (Loss), Net of Amortization	(317,506)	-	(317,506)
Bond Discount, Net of Amortization	(114,824)	-	(114,824)
Fixed Asset Installment Payable	43,626	-	43,626
Long-Term Portion of Capital Leases	11,269	-	11,269
Long-Term Portion of Compensated Absences	161,122	-	161,122
Other Post-Employment Benefits	19,694	-	19,694
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>19,168,381</b>	<b>-</b>	<b>19,168,381</b>
<b>TOTAL LIABILITIES</b>	<b>21,318,511</b>	<b>15,889</b>	<b>21,334,400</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	935,644	11,365	947,009
Restricted for:			
Capital Projects, Net of Debt	53,833	-	53,833
Unrestricted	4,656,182	2,408	4,658,590
<b>TOTAL NET ASSETS</b>	<b>5,645,659</b>	<b>13,773</b>	<b>5,659,432</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,964,170</b>	<b>\$ 29,662</b>	<b>\$ 26,993,832</b>



**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 6,387,455	\$ 21,666	\$ 1,026,606	\$ -	\$ (5,339,183)	\$ -	\$ (5,339,183)
Special	2,021,111	30,469	1,067,221	-	(923,421)	-	(923,421)
Vocational	418,178	-	-	-	(418,178)	-	(418,178)
Other Instructional Programs	138,568	-	8,221	-	(130,347)	-	(130,347)
Total Instructional Services	8,965,312	52,135	2,102,048	-	(6,811,129)	-	(6,811,129)
<b>Support Services:</b>							
Pupil Personnel	505,329	-	87,587	-	(417,742)	-	(417,742)
Instructional Staff	387,529	-	20,335	-	(367,194)	-	(367,194)
Administration	1,295,270	-	65,694	-	(1,229,576)	-	(1,229,576)
Pupil Health	146,982	-	33,623	-	(113,359)	-	(113,359)
Business Services	299,685	-	13,396	-	(286,289)	-	(286,289)
Operation of Plant and Maintenance Services	1,550,376	12,425	32,211	-	(1,505,740)	-	(1,505,740)
Student Transportation Services	171,981	-	118,204	-	(53,777)	-	(53,777)
Central	286,254	-	59,963	-	(226,291)	-	(226,291)
Other Support Services	7,719	-	-	-	(7,719)	-	(7,719)
Total Support Services	4,651,125	12,425	431,013	-	(4,207,687)	-	(4,207,687)
<b>Noninstructional Services:</b>							
Student Activities	345,125	11,469	14,956	-	(318,700)	-	(318,700)
Community Services	10,178	-	-	-	(10,178)	-	(10,178)
Interest on Long-Term Debt	753,479	-	-	76,102	(677,377)	-	(677,377)
Total Noninstructional Services	1,108,782	11,469	14,956	76,102	(1,006,255)	-	(1,006,255)
<b>Total Governmental Activities</b>	14,725,219	76,029	2,548,017	76,102	(12,025,071)	-	(12,025,071)
<b>Business-Type Activities:</b>							
Food Services	495,577	262,050	221,739	-	-	(11,788)	(11,788)
<b>Total Primary Government</b>	<u>\$ 15,220,796</u>	<u>\$ 338,079</u>	<u>\$ 2,769,756</u>	<u>\$ 76,102</u>	(12,025,071)	(11,788)	(12,036,859)
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes					8,318,687	-	8,318,687
Public Utility Realty, Earned Income and Mercantile						-	
Taxes Levied for General Purposes, Net					860,000	-	860,000
Grants, Subsidies and Contributions Not Restricted					2,813,203	-	2,813,203
Investment Earnings					25,164	14	25,178
Miscellaneous Income					25,518	-	25,518
<b>Total General Revenues</b>					12,042,572	14	12,042,586
<b>Change in Net Assets</b>					17,501	(11,774)	5,727
<b>Net Assets - Beginning</b>					5,628,158	25,547	5,653,705
<b>Net Assets - Ending</b>					<u>\$ 5,645,659</u>	<u>\$ 13,773</u>	<u>\$ 5,659,432</u>

See accompanying notes.

**ANTIETAM SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2011**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Investments	\$ 4,074,059	\$ 2,077,313	\$ 6,151,372
Taxes Receivable, Net	404,583	-	404,583
Interfund Receivables	17,649	-	17,649
Intergovernmental Receivables	333,929	-	333,929
Other Receivables, Net	6,701	-	6,701
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b>\$ 4,836,921</b>	<b>\$ 2,077,313</b>	<b>\$ 6,914,234</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Intergovernmental Payables	\$ 10,160	\$ -	\$ 10,160
Accounts Payable	86,067	270,292	356,359
Accrued Salaries, Benefits and Payroll Withholdings	694,869	-	694,869
Deferred Revenues	274,862	-	274,862
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b>1,065,958</b>	<b>270,292</b>	<b>1,336,250</b>
<b>FUND BALANCES</b>			
Restricted Fund Balances:			
Capital Projects Fund	-	1,131,688	1,131,688
Committed Fund Balances:			
Future Capital Acquisitions	84,041	-	84,041
Future Retirement Costs	2,401,702	-	2,401,702
Assigned Fund Balances:			
Capital Projects Fund	-	675,333	675,333
Unassigned Fund Balances:			
General Fund	1,285,220	-	1,285,220
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL FUND BALANCES</b>	<b>3,770,963</b>	<b>1,807,021</b>	<b>5,577,984</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,836,921</b>	<b>\$ 2,077,313</b>	<b>\$ 6,914,234</b>

**ANTIETAM SCHOOL DISTRICT**

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

**June 30, 2011**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 5,577,984

**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 the assets is \$32,583,305 and the accumulated depreciation is \$12,914,201. 19,669,104

Property 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 in the funds. 274,055

Establish allowance for doubtful accounts - property taxes receivable (5,481)

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	\$ (20,075,000)	
Accrued Interest on Bonds	(187,960)	
Unamortized Deferred Refunding (Gain) Loss	317,506	
Unamortized Bond Discount	114,824	
Unamortized Bond Issuance Costs	386,313	
Fixed Asset Installment Payable	(84,041)	
Capital Leases	(84,604)	
Compensated Absences	(237,347)	
Other Post-Employment Benefits	(19,694)	(19,870,003)

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** \$ 5,645,659

**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2011**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local Sources	\$ 9,087,125	\$ 11,674	\$ 9,098,799
State Sources	4,774,779	-	4,774,779
Federal Sources	879,710	-	879,710
<b>TOTAL REVENUES</b>	<b>14,741,614</b>	<b>11,674</b>	<b>14,753,288</b>
<b>EXPENDITURES</b>			
Instructional Services	8,209,294	41,175	8,250,469
Support Services	4,215,607	329,469	4,545,076
Operation of Noninstructional Services	353,569	-	353,569
Capital Outlay	-	875,815	875,815
Debt Service			
Principal	655,000	-	655,000
Interest	731,983	14,878	746,861
Refunds of Prior Year Receipts	574	-	574
<b>TOTAL EXPENDITURES</b>	<b>14,166,027</b>	<b>1,261,337</b>	<b>15,427,364</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>575,587</b>	<b>(1,249,663)</b>	<b>(674,076)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Fixed Assets	4,651	-	4,651
Proceeds from Refunding Bonds	-	3,095,000	3,095,000
Bond Discount	-	(24,059)	(24,059)
Debt Service - Principal	-	(2,265,000)	(2,265,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,651</b>	<b>805,941</b>	<b>810,592</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>580,238</b>	<b>(443,722)</b>	<b>136,516</b>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>	<b>3,190,725</b>	<b>2,250,743</b>	<b>5,441,468</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,770,963</b>	<b>\$ 1,807,021</b>	<b>\$ 5,577,984</b>

**ANTIETAM SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2011**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 136,516

**Amounts reported for governmental activities in the statement  
of activities are different because:**

Governmental funds report capital outlays 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 exceeded depreciation in the current period:

Capital Outlays	\$ 1,285,686	
Less: Depreciation Expense	<u>(1,304,056)</u>	(18,370)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. Deferred revenues increased (decreased) by this amount during the year. 7,254

Because some intergovernmental receivables will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds, the effect of these receivables is reflected in the statement of activities. (21,900)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is shown below:

Repayment of Bond Principal	655,000	
Refunded Bonds Redeemed	2,265,000	
Bond Proceeds	(3,095,000)	
Bond Issuance Costs	81,452	
Bond Discount	24,059	
Amortization of Bond Issuance Costs	(19,549)	
Amortization of Bond Discount	(5,537)	
Amortization of Loss on Refunding	(18,040)	
Fixed Asset Installment Payables Incurred	(84,041)	
Capital Lease Obligations Incurred	(22,537)	
Payments on Capital Lease Obligations	<u>103,566</u>	(115,627)

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2011

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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here.

16,958

In the statement of activities, certain operating expenses - compensated absences (vacations and sick days and other retirement incentive benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

16,692

Post-employment benefits are recognized when they are paid on the fund statements. With the implementation of GASB 45, an estimated liability for future benefits due will be phased in over several years. This amount represents the difference between the estimated annual cost and the amount paid.

(4,022)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 17,501

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND**

June 30, 2011

	Enterprise Fund Food Service
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 4,907
Intergovernmental Receivables	13,286
Inventories	17,241
<b>TOTAL CURRENT ASSETS</b>	35,434
<b>NONCURRENT ASSETS</b>	
Machinery and Equipment, Net	11,365
<b>TOTAL ASSETS</b>	\$ 46,799
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Interfund Payables	\$ 17,137
Accounts Payable	10,444
Accrued Salaries and Benefits	396
Deferred Revenues	5,049
<b>TOTAL CURRENT LIABILITIES</b>	33,026
<b>NET ASSETS</b>	
Invested in Capital Assets	11,365
Unrestricted	2,408
<b>TOTAL NET ASSETS</b>	13,773
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 46,799

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2011

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	<u>Enterprise Fund Food Service</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 262,050
<b>OPERATING EXPENSES</b>	
Salaries	170,036
Employee Benefits	30,266
Purchased Professional Services	3
Purchased Property Services	42,201
Other Purchased Services	117
Supplies	250,813
Depreciation	1,801
Other Expenses	340
	<hr/>
<b>TOTAL OPERATING EXPENSES</b>	495,577
	<hr/>
<b>OPERATING LOSS</b>	(233,527)
<b>NONOPERATING REVENUES</b>	
Local Sources - Earnings on Investments	14
State Sources	26,689
Federal Sources	195,050
	<hr/>
<b>TOTAL NONOPERATING REVENUES</b>	221,753
	<hr/>
<b>CHANGE IN NET ASSETS</b>	(11,774)
<b>TOTAL NET ASSETS - BEGINNING</b>	<hr/> 25,547
	<hr/>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ 13,773</u>



ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

For the Year Ended June 30, 2011

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	Enterprise Fund Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 266,082
Cash Payments to Employees for Services	(200,762)
Cash Payments to Suppliers for Goods and Services	<u>(288,182)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	(222,862)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Sources	26,689
Federal Sources	<u>173,378</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	200,067
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Equipment	(3,812)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>14</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(26,593)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>31,500</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 4,907</u></u>

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUND

For the Year Ended June 30, 2011

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	<u>Enterprise Fund Food Service</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u></b>	
Operating Loss	\$ (233,527)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	1,801
Donated Commodities Used	21,672
Changes in Assets and Liabilities:	
Accounts Receivable	(162)
Inventories	(3,889)
Accounts Payable	(12,492)
Accrued Salaries and Benefits	(460)
Deferred Revenues	4,195
Total Adjustments	<u>10,665</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (222,862)</u></b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$21,672 of commodities from the  
U.S. Department of Agriculture.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS

June 30, 2011

---

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds Student Activities</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,492	\$ 47,515
Investments	2,406	-
Accounts Receivable	-	203
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 6,898</b>	<b>\$ 47,718</b>
	<u>          </u>	<u>          </u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Interfund Payable	\$ -	\$ 512
Accounts Payable	-	47,206
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>\$ 47,718</b>
	<u>          </u>	<u>          </u>
<b>NET ASSETS</b>		
Held in Trust for Scholarships	<u>\$ 6,898</u>	

**ANTIETAM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FIDUCIARY FUND**

**For the Year Ended June 30, 2011**

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	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS</b>	
Earnings on Investments	\$       300
<b>DEDUCTIONS</b>	
Scholarships	<u>1,442</u>
<b>CHANGE IN NET ASSETS</b>	(1,142)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>8,040</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$       6,898</u></u>

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

Antietam School District is located in Berks County, Pennsylvania. The District tax base consists of Lower Alsace Township and the Borough of Mount Penn.

The Antietam School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the School District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements of Antietam School District have been prepared in accordance with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

##### Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units for which the District may or may not be financially accountable, and as such, be includable within the District's financial statements. In accordance with government accounting standards, the District is financially accountable if it appoints a voting majority of the organization governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or improve specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete.

Based upon the application of these criteria, the District has determined it has no component units.

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## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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The District has evaluated its relationship with the Berks County Intermediate Unit (BCIU) and the Berks Career and Technology Center to determine if the financial information of these entities should be included in the financial statements. Based on this evaluation, the above entities have not been included as a component unit of the District's reporting entity because of the limited oversight responsibility and limited accountability for fiscal matters.

**Joint Venture:**

The District does participate in a joint venture. See Note 11 for details of involvement and financial information of the joint venture.

**Jointly Governed Organizations:**

The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

**Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net assets, a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide financial statements** The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from these statements.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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The statement of net assets presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and for one business-type activity of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self financing or draws from the general revenues of the District.

**Fund financial statements** are also provided in the report for all of the governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Fund Accounting**

The accounts of the 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, which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purposes for which they are to be spent. There are three categories of funds: governmental, proprietary and fiduciary.

**GOVERNMENTAL FUNDS** - These funds are used to account for most of the District finances. The focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination. The following are the District's major governmental funds:

1. **General Fund** - This is the general operating fund of the District. All activities of the District are accounted for through this fund except for those required to be accounted for in another fund.

## ANTIETAM SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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2. Capital Projects Fund - This fund is used to account for financial resources that are used for the acquisition or construction of major capital equipment and facilities (other than those financed by the proprietary fund).

PROPRIETARY FUND - This fund accounts for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Enterprise Fund - This fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The Fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The Food Service Program is a major enterprise fund of the District.

FIDUCIARY FUNDS - Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's only trust funds are the private-purpose trusts (scholarship funds). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are its student activities funds.

#### **Measurement Focus and Basis of Accounting**

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 the 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. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.



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

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue and similar revenue streams to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

**Budgetary Data**

In February of each year, all school principals submit requests for appropriations to the District's business manager so that the general fund budget may be prepared. The budget is prepared by function and activity and is based on the modified accrual basis of accounting. Before May 30, the proposed budget is presented to the School Board for review. The school board holds public hearings, and may add to, subtract from, or change appropriations. Upon approval, the approved budget is submitted to the Pennsylvania Department of Education.

**Investments and Cash Equivalents**

Antietam School District records its investments at fair value. The value used by Antietam School District was the quoted market price.

Cash equivalents in the basic financial statements include all highly-liquid investments with an original maturity of three months or less.

**Receivables/Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Inventories**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first out basis and are expensed when used. Inventories of the governmental funds consisting principally of textbooks and instructional supplies are not valued since it is the consistent policy of the District to charge these items to expense upon acquisition.

Inventories of the enterprise fund consist of food and paper supplies which are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2011, consist of the following:

Purchased food and supplies	\$	12,192
Donated commodities		5,049
		\$ 17,241

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
School buildings	45
Building improvements	7 - 30
Land improvements	15 - 20
Furniture and equipment	3 - 15
Vehicles	5 - 10

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

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over estimated useful lives (5 to 10 years).

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, and deferred refunding gains (losses), 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, discount or deferred refunding gains (losses). 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, as well as bond discounts and premiums, is reported as other financing sources (uses) while bond issuance costs on debt issuances are reported as administration support service expenditures.

**Revenues from Federal and State Sources**

Revenues from federal and state agencies designated for payment of specific School District expenditures are recognized in the General Fund when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year-end is recorded as deferred revenue or a receivable, respectively.

**Net Assets**

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

**Governmental Fund Balances:**

In the governmental fund financial statements, fund balances are classified as follows:

Restricted Fund Balance - Amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

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

**June 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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Committed Fund Balance - Amounts that can be used only for a specific purpose determined by a formal action of the board of school directors, the government's highest level of decision-making authority. The formal action to commit fund balance to a specific purpose must occur prior to the end of the reporting period, but the amount which will be subject to the constraint may be determined in the subsequent period. Committed funds may only be changed or lifted by the same formal action taken to commit them.

Assigned Fund Balance - Amounts that the school district intends to use for a specific purpose. Assignments of fund balance may be made by the business manager or designee and ratified by the board of school directors.

Unassigned Fund Balance - Amounts that are not included within any other classification noted. Unassigned amounts are the portion of fund balance not obligated or specifically designated and is available for any purpose. Positive amounts are reported only in the General Fund. The District will strive to maintain an unassigned General Fund balance of not less than eight percent and not more than ten percent of the budgeted expenditures for that fiscal year.

**Use of Restricted Resources**

Any expenditure incurred for a purpose in which restricted and unrestricted fund balance amounts are available are satisfied through restricted fund balance amounts before unrestricted fund balance amounts. When an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned or unassigned fund balances, the District's policy is to use committed first, followed by assigned and unassigned.

**NOTE 2 - CASH AND INVESTMENTS**

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Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. As of June 30, 2011, the carrying amount of the District's deposits was \$73,014 and the bank balance was \$73,014. Of the bank balance, \$73,014 was covered by federal depository insurance.

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

June 30, 2011

**NOTE 2 - CASH AND INVESTMENTS - CONTINUED**

A portion of the District's deposits are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania State Treasury Invest. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

Investments

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

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

Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approval collateral as provided by law therefore, shall be pledged by the depository.

As of June 30, 2011, the District had the following investments:

	Maturities	Fair Value
Certificates of Deposit	2-15 months	\$ 2,406
PA Local Government Investment Trust		6,147,539
PA Invest		172,819
 Total Investments		 6,322,764
Less: Deposits in investment pool considered cash equivalents		(6,322,764)
Total Investments per Financial Statements		\$ -

The above certificates of deposit are individually covered by federal depository insurance.

Interest Rate Risk

The District has an investment policy that would limit its exposure to fair value losses arising from increasing interest rates.

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

**June 30, 2011**

**NOTE 2 - CASH AND INVESTMENTS - CONTINUED**

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Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2011, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Invest	AAA
PA Local Government Investment Trust	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. District investments in authorized instruments not backed by the federal or state government shall be limited to the two highest applicable credit ratings. All other investments require board notification.

Custodial Credit Risk

For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

**NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE**

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Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the County Board of Assessments. All taxable real property was assessed at \$258,914,500. The District is permitted by state law to levy taxes. The millage rate levied by the District for the fiscal year ended June 30, 2011 was 32.35 mills.

The property tax calendar is as follows:

July 1	- Full year tax assessed for current year.
July 1 - August 31	- Discount period during which a 2% discount is allowed
September 1 - October 31	- Face amount of tax is due.
November 1 - January 14	- A 10% penalty is added to all payments.
January 15	- All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

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

June 30, 2011

**NOTE 3 - REAL ESTATE TAXES RECEIVABLE AND DEFERRED REVENUE - CONTINUED**

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Installment payments of the face amount of the property tax can be made by the following dates - July 31, September 15, October 31 and December 15.

In accordance with generally accepted accounting principles, the District recognizes the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements.

The balances at June 30, 2011 are as follows:

	Gross Taxes Receivable	Allowance Uncollectible Taxes	Estimated to be Collectible	Tax Revenue Recognized	Deferred Taxes
Real estate	\$ 404,583	\$ 5,481	\$ 399,102	\$ 130,528	\$ 274,055

The deferred revenue balance in the General Fund of \$274,862 consists of \$274,055 of deferred real estate taxes and \$807 of grants not fully spent.

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

June 30, 2011

**NOTE 4 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

The following schedule represents intergovernmental receivables and payables at June 30, 2011:

	<u>General Fund</u>	<u>Proprietary - Food Service</u>
<b><u>Receivables</u></b>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 61,169	\$ 9,357
Other LEA's	42,356	-
Total Local Sources	<u>103,525</u>	<u>9,357</u>
<u>State Sources</u>		
State Subsidy - Social Security	17,374	-
State Subsidy - Retirement	70,995	-
State Subsidy - Transportation	66	-
State Subsidy - 1305-06 Funding	15,518	-
State Subsidies - Cafeteria	-	333
Total State Sources	<u>103,953</u>	<u>333</u>
<u>Federal Sources</u>		
Federal Grant - Title I - Improving Basic Programs	31,418	-
Federal Grant - State Fiscal Stabilization Fund	95,033	-
Federal Subsidies - Cafeteria	-	3,596
Total Federal Sources	<u>126,451</u>	<u>3,596</u>
<b>Total Intergovernmental Receivables</b>	<b><u><u>\$ 333,929</u></u></b>	<b><u><u>\$ 13,286</u></u></b>
 <b><u>Payables</u></b>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 5,302	\$ -
Borough of Mt. Penn	4,733	-
Bucks County Intermediate Unit	125	-
<b>Total Intergovernmental Payables</b>	<b><u><u>\$ 10,160</u></u></b>	<b><u><u>\$ -</u></u></b>



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

**June 30, 2011**

**NOTE 5 - INTERFUND BALANCES**

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Interfund Balances

The following schedule represents the interfund balances at June 30, 2011:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 17,649	\$ -
Enterprise (Food Service) Fund	-	17,137
Student Activities Fund	-	512
	<u>\$ 17,649</u>	<u>\$ 17,649</u>

Interfund receivables and payables resulted from the time lag between dates that interfund goods and services were provided and when payments between funds are made.

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

**June 30, 2011**

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclassify Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 310,056	\$ -	\$ -	\$ 310,056
Construction in Progress	134,534	875,815	-	1,010,349
Totals at historical cost	<u>444,590</u>	<u>875,815</u>	<u>-</u>	<u>1,320,405</u>
Capital assets being depreciated:				
Land Improvements	134,169	48,946	-	183,115
Buildings/building improvements	28,524,404	21,347	(12,505)	28,533,246
Furniture and equipment	2,194,456	339,578	12,505	2,546,539
Totals at historical cost	<u>30,853,029</u>	<u>409,871</u>	<u>-</u>	<u>31,262,900</u>
Less accumulated depreciation for:				
Land Improvements	3,354	8,987	-	12,341
Buildings/building improvements	9,433,095	1,022,754	824,657	11,280,506
Furniture and equipment	2,173,696	272,315	(824,657)	1,621,354
Total accumulated depreciation	<u>11,610,145</u>	<u>1,304,056</u>	<u>-</u>	<u>12,914,201</u>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<u>19,242,884</u>	<u>(894,185)</u>	<u>-</u>	<u>18,348,699</u>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<u>\$ 19,687,474</u>	<u>\$ (18,370)</u>	<u>\$ -</u>	<u>\$ 19,669,104</u>

**Business-Type Activities**

Capital assets being depreciated:				
Machinery and equipment	\$ 330,299	\$ 3,813	\$ -	\$ 334,112
Less accumulated depreciation for:				
Machinery and equipment	<u>320,946</u>	<u>1,801</u>	<u>-</u>	<u>322,747</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 9,353</u>	<u>\$ 2,012</u>	<u>\$ -</u>	<u>\$ 11,365</u>



ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

NOTE 7 - LONG-TERM LIABILITIES

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Bonds payable outstanding at June 30, 2011 are as follows:

General Obligation Bonds, Series of 2006:

The General Obligation Bonds, Series of 2006, aggregate principal of \$7,345,000, were issued December 15, 2006 for the purpose of providing funds to: (1) advance refund the District's General Obligation Bonds, Series of 2004, and (2) pay bond issuance costs. The bonds mature from April 2007 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 3.50% to 4.25%.

\$ 6,690,000

General Obligation Bonds, Series of 2007:

The General Obligation Bonds, Series of 2007, aggregate principal of \$2,530,000, were issued May 15, 2007 for the purpose of providing funds to: (1) current refund the District's General Obligation Bonds, Series AA of 2002, and (2) pay bond issuance costs. The bonds mature from August 2007 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 3.55% to 4.05%.

2,510,000

General Obligation Bonds, Series of 2010A:

The General Obligation Bonds, Series of 2010A, aggregate principal of \$1,500,000, were issued February 22, 2010 for the purpose of providing funds to: (1) finance various capital projects of the District, and (2) pay bond issuance costs. The bonds mature from April 2010 to April 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.20%.

1,495,000

General Obligation Bonds, Series of 2010B:

The General Obligation Bonds, Series of 2010B, aggregate principal of \$6,305,000, were issued February 22, 2010 for the purpose of providing funds to: (1) currently refund a portion of the District's General Obligation Bonds, Series of 2003, (2) currently refund the District's General Obligation Bonds, Series 2005, and (3) pay bond issuance costs. The bonds mature from April 2010 to April 2027. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.05%.

6,285,000

General Obligation Bonds, Series of 2011:

The General Obligation Bonds, Series of 2011, aggregate principal of \$3,095,000, were issued May 3, 2011 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2003, (2) finance various capital projects of the District, and (3) pay bond issuance costs. The bonds mature from September 2011 to September 2028. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 1.00% to 4.375%. The economic gain or loss on refunding was immaterial.

3,095,000

TOTAL BONDS PAYABLE \$ 20,075,000

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

**June 30, 2011**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

The future annual payments required to amortize all outstanding debt and obligations, except for compensated absences, for the years ending June 30 are as follows:

	Obligation Bonds Series of 2006	Obligation Bonds Series of 2007	Obligation Bonds Series of 2010A	Obligation Bonds Series of 2010B	Obligation Bonds Series of 2011	Total Bonds Payable	Total Interest
2012	\$ 175,000	\$ 5,000	\$ 5,000	\$ 25,000	\$ 500,000	\$ 710,000	\$ 719,089
2013	180,000	205,000	5,000	325,000	15,000	730,000	724,558
2014	185,000	220,000	5,000	375,000	15,000	800,000	703,624
2015	195,000	225,000	5,000	385,000	15,000	825,000	680,884
2016	200,000	240,000	5,000	390,000	15,000	850,000	655,146
2017 - 2021	1,130,000	1,320,000	25,000	2,140,000	70,000	4,685,000	2,827,381
2022 - 2026	1,365,000	295,000	25,000	2,140,000	1,770,000	5,595,000	1,871,476
2027 - 2031	1,660,000	-	1,420,000	505,000	695,000	4,280,000	753,782
2032 - 2035	1,600,000	-	-	-	-	1,600,000	173,613
	<u>\$ 6,690,000</u>	<u>\$ 2,510,000</u>	<u>\$ 1,495,000</u>	<u>\$ 6,285,000</u>	<u>\$ 3,095,000</u>	<u>\$ 20,075,000</u>	<u>\$ 9,109,553</u>

**Capital Lease Obligations**

The District is obligated under capital leases for certain computer equipment that expire in 2011 and 2012. The gross amount of such equipment and related accumulated amortization under capital lease was as follows as of June 30, 2011:

Cost	\$ 341,096
Accumulated Depreciation	<u>122,599</u>
Net Book Value	<u>\$ 218,497</u>

Depreciation expense on assets held under capital leases was \$67,640 for the year ended June 30, 2011.

**ANTIETAM SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2011**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Future minimum lease payments under capital lease obligations are as follows:

2012	\$	75,708
2013		<u>11,269</u>
Total minimum lease payments		86,977
Less imputed interest		<u>(2,373)</u>
		84,604
Less current installments of obligations under capital leases		<u>(73,335)</u>
Obligations under capital leases, excluding current installments		<u><u>\$ 11,269</u></u>

Fixed Asset Installment Payable

The fixed asset installment payment represents amounts due on the acquisition of software. \$40,415 is due during the fiscal year ending June 30, 2012. Final payment of \$43,626 is due during the fiscal year ending June 30, 2013. Committed fund balance in the General Fund will be used to satisfy this payable.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation					
Bonds Payable	\$ 19,900,000	\$ 3,095,000	\$ 2,920,000	\$ 20,075,000	\$ 710,000
Other Liabilities:					
Fixed Asset Installment Payable	-	84,041	-	84,041	40,415
Capital Leases	165,632	22,538	103,566	84,604	73,335
Compensated Absences	<u>254,039</u>	<u>132,561</u>	<u>149,253</u>	<u>237,347</u>	<u>76,225</u>
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	<u>\$ 20,319,671</u>	<u>\$ 3,334,140</u>	<u>\$ 3,172,819</u>	<u>\$ 20,480,992</u>	<u>\$ 899,975</u>

Payments on bonds payable are payable by the general fund. The capital leases and compensated absences will also be paid from the general fund.

Total interest paid during the year ended June 30, 2011 was \$746,861.

**ANTIETAM SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

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**Compensated Absences:**

Vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide financial statements. Vested or accumulated vacation and sick leave are reflected in the government-wide statements in the amount of \$76,225 and \$161,122, respectively. Vested or accumulated vacation or sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits, however, a liability is recognized for the portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

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**Plan Description:**

The District contributes to a governmental cost-sharing multiple-employer defined pension plan administered by the commonwealth of Pennsylvania Public School Employees Retirement System (PSERS). Benefit provisions of the Plan are established under the provisions of the PSERS Code ("the Code") and may be amended by an act of the Pennsylvania State Legislature. The Plan provides retirement, disability, and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the Plan. That report may be obtained by writing to PSERS, PO Box 125, Harrisburg, PA 17108-0125. The plan is also available on the PSERS website at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

**Funding Policy:**

The contribution policy is set by the Code and requires contributions by active members, employers and the commonwealth. 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 joining PSERS 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 joining PSERS 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.

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

**June 30, 2011**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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The contributions required of participating employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2011, the rate of employer contributions was 5.64 percent of covered payroll. The 5.64 percent rate is composed of a pension contribution, 5 percent of pension benefits and 0.64 percent for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2011, 2010 and 2009 were \$407,469, \$341,786 and \$327,625, respectively, which is equal to the required contribution

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

**NOTE 9 - OTHER RETIREMENT PLAN**

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The District maintains a Special Pay Deferral Plan for retiring teachers under section 401(a) of the IRS Code. This Plan is designed to handle payments to employees at retirement in a tax-advantaged manner. Payments are based on accumulated sick leave, unused vacation, and a \$5,000 retirement incentive for professional and administrative staff if employed by the District for at least seventeen years. For the year ended June 30, 2011, the District contributed \$39,639 on behalf of its retirees.

**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS**

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Plan Description:

Antietam School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with Antietam School District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report and the District is implementing GASB Statement 45 prospectively.



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

**June 30, 2011**

**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

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Funding Policy:

Contribution requirements also are negotiated between Antietam School District and union representatives. The required contribution is based on pay as you go financing. For eligible employees retired prior to 2007, the retiree pays full premiums for coverage until the earlier of the retiree Medicare eligibility or retiree death. Spouse coverage ends at spouse Medicare eligibility if earlier than above. For eligible employees retired in 2007, the District pays full medical and prescription drug coverage premiums for the retiree and spouse until the earlier of July 1, 2012 or retiree Medicare eligibility. The retiree pays full premiums for dental and vision coverage. For eligible employees retired after 2007, the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under District's health plan. Under all the plans described, coverage is generally provided until the retiree is eligible for Medicare or until retiree's death, whichever is earlier. For the fiscal year ended June 30, 2011, the District contributed \$175,544 to the plan related to retirees.

Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 181,237
Interest on net OPEB obligation	705
Adjustment to annual required contribution	(2,376)
Annual OPEB Cost	<u>179,566</u>
Contributions made	<u>(175,544)</u>
Increase in net OPEB obligation	4,022
Net OPEB obligation - beginning of year	<u>15,672</u>
Net OPEB obligation - end of year	<u><u>\$ 19,694</u></u>

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

**June 30, 2011**

**NOTE 10 - POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

Antietam's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 181,237	91.4%	\$ 15,672
6/30/2011	179,566	89.0%	19,694

Funded Status and Funding Progress:

As of January 1, 2009, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$959,740, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$959,740. The covered payroll (annual payroll of active employees covered by the Plan) was \$5,981,555, and the ratio of the UAAL to the covered payroll was 16.04 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 information about actuarial value of plan assets and 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.

In the January 1, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5 percent in 2015 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and an eight-year open amortization period.

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

**June 30, 2011**

**NOTE 11 - JOINT VENTURE**

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The District is a participating member of the Berks Career and Technology Center. The Center is run by a joint board consisting of school directors from each member district. The board of directors of each member district must approve the Center's annual operating budget. Each member pays a private share of the operating costs of the Center based on the number of students from each district. For the fiscal year ended June 30, 2011, Antietam School District's share was \$357,407. The Center prepares financial statements, which are available to the public.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 and lent the proceeds to Berks Career and Technology Center. The proceeds were used to renovate and build an addition to Berks Career and Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of taxable real estate of all participating school districts. The District's share for the 2010/2011 year was \$38,909.

Summary financial information as of June 30, 2010 (most recent available) is as follows:

<u>Berks Career &amp; Technology Center</u> <u>(Governmental Activities - Government-Wide</u> <u>Financial Statements)</u>	
Total Assets	\$ 34,442,535
Total Liabilities	<u>(22,275,152)</u>
Total Net Assets	<u>\$ 12,167,383</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

**NOTE 12 - FUND BALANCE**

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Effective July 1, 2010, the District adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to be in conformity with generally accepted accounting principles. The statement clarified the use of special revenue fund types resulting in a restatement of the District's beginning fund balance for the capital projects fund to include the capital reserve fund balance of \$963,669. The capital reserve fund no longer meets the definition of special revenue funds.

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

**June 30, 2011**

**NOTE 12 - FUND BALANCE - CONTINUED**

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The statement also established a hierarchy for classifying fund balances into specifically defined classifications resulting in the District adopting a fund balance policy effective for the June 30, 2011 reporting period. Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2011 was as follows:

General Fund

The general fund has committed funds of \$2,401,702 for retirement rate increases, \$84,041 for future capital acquisitions and unassigned fund balance of \$1,285,220. The commitments were authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSER's contributions and fund future capital acquisitions.

Capital Projects

The capital projects fund has restricted funds of \$1,131,688, consisting primarily of unspent bond funds, and assigned funds of \$675,333 designated by the board of school directors for the acquisition or construction of capital facilities and capital assets.

**NOTE 13 - RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage for the 2010/2011 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation insurance. SDIC is comprised of member school districts which jointly self-assume their workers' compensation liabilities. Even though the member school districts contribute to SDIC's Insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2011, there was no unfunded liability.

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

June 30, 2011

**NOTE 14 - CONTINGENCIES AND COMMITMENTS**

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

The District has the following commitments under long-term contracts as of June 30, 2011:

<u>Contract Type</u>	<u>Contractor</u>	<u>Contract Amount</u>	<u>Balance Remaining on Contract</u>
Lighting and HVAC Upgrades	Eastern Air Balance Corp.	\$ 52,620	\$ 45,970
Lighting and HVAC Upgrades	H. B. Frazer Company	<u>1,925,465</u>	<u>1,184,030</u>
	Total Commitments	<u>\$ 1,978,085</u>	<u>\$ 1,230,000</u>

The District plans to use existing funds in the capital projects fund to fulfill the above commitments.

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS**

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans which is required to be implemented by the year ended June 30, 2012. The objective of this statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans.
- Statement No. 60, Service Concession Arrangements which is required to be implemented by the year ended June 30, 2013. The objective of this statement is to address how to account for and report service concession arrangements, a type of public-private or public-public partnership that governments are increasingly entering into. At this time, the District does not have any service concession arrangements in place.

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

**June 30, 2011**

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED**

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- Statement No 61, The Financial Reporting Entity - Omnibus which is required to be implemented by the year ended June 30, 2013. The objective of this statement is to improve financial reporting for a governmental financial reporting entity to better meet user needs and address reporting entity issues. This statement modifies certain requirements for inclusion of component units in the financial reporting entity, and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. The statement also clarifies the reporting of equity interests in legally separate organizations.
  
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position which is required to be implemented by the year ended June 30, 2013. The objective of this statement is to provide a framework that will serve to standardize the presentation of deferred balances and their effects on a government's net position and address uncertainty related to their display.

The District has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

For the Year Ended June 30, 2011

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 9,066,858	\$ 9,066,858	\$ 9,087,125	\$ 20,267
State Sources	5,145,851	5,145,851	4,774,779	(371,072)
Federal Sources	761,153	761,153	879,710	118,557
<b>TOTAL REVENUES</b>	<b>14,973,862</b>	<b>14,973,862</b>	<b>14,741,614</b>	<b>(232,248)</b>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
<b>EXPENDITURES - INSTRUCTION</b>				
Regular Programs - Elementary/Secondary	6,007,747	6,007,970	5,633,872	374,098
Special Programs - Elementary/Secondary	2,102,870	2,102,960	2,018,735	84,225
Vocational Education Programs	403,844	403,844	418,178	(14,334)
Other Instructional Programs - Elementary/Secondary	148,154	148,154	138,510	9,644
<b>TOTAL INSTRUCTION</b>	<b>8,662,615</b>	<b>8,662,928</b>	<b>8,209,295</b>	<b>453,633</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	496,133	496,133	502,211	(6,078)
Instructional Staff	411,962	411,872	387,817	24,055
Administration	1,341,676	1,341,453	1,288,157	53,296
Pupil Health	170,677	170,677	145,894	24,783
Business	293,596	293,596	278,119	15,477
Operation and Maintenance of Plant Services	1,242,827	1,242,827	1,170,059	72,768
Student Transportation Services	232,192	232,192	161,360	70,832
Central	296,725	296,725	272,418	24,307
Other Support Services	9,036	9,036	9,572	(536)
<b>TOTAL SUPPORT SERVICES</b>	<b>4,494,824</b>	<b>4,494,511</b>	<b>4,215,607</b>	<b>278,904</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Student Activities	347,656	347,656	343,391	4,265
Community Services	19,000	19,000	10,178	8,822
<b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>	<b>366,656</b>	<b>366,656</b>	<b>353,569</b>	<b>13,087</b>
<b>DEBT SERVICE</b>				
Principal	655,000	655,000	655,000	-
Interest	731,983	731,983	731,983	-
<b>TOTAL DEBT SERVICE</b>	<b>1,386,983</b>	<b>1,386,983</b>	<b>1,386,983</b>	<b>-</b>
Refund of Prior Year Receipts	-	-	574	(574)
<b>TOTAL EXPENDITURES</b>	<b>14,911,078</b>	<b>14,911,078</b>	<b>14,166,028</b>	<b>745,050</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>62,784</b>	<b>62,784</b>	<b>575,586</b>	<b>512,802</b>

See note to required supplementary information.



**ANTIETAM SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2011

	Budgeted Amount		Actual (GAAP) Basis
	Original	Final	
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Fixed Assets	-	-	4,651
Transfers to Other Funds	(3,000)	(3,000)	-
Budgetary Reserve	(250,000)	(250,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(253,000)</u>	<u>(253,000)</u>	<u>4,651</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (190,216)</u>	<u>\$ (190,216)</u>	580,237
<b>FUND BALANCE - JULY 1, 2010</b>			<u>3,190,725</u>
<b>FUND BALANCE - JUNE 30, 2011</b>			<u>\$ 3,770,962</u>

**ANTIETAM SCHOOL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS -**  
**POST EMPLOYMENT BENEFITS PLAN**

**June 30, 2011**

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	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Governmental Activities	1/1/2009	\$ -	\$ 959,740	\$ 959,740	0.00%	\$ 5,981,555	16.04%

**ANTIETAM SCHOOL DISTRICT**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

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**BUDGETARY DATA**

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

**SUPPLEMENTARY INFORMATION**

**ANTIETAM SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Deferred) Revenue at June 30, 2010	Revenue	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2011		
<b>U.S. Department of Education</b>											
Passed through Commonwealth of Pennsylvania											
Department of Education:											
Title I, Part A Cluster											
Title I: Grants to Local Educational Agencies	I	84.010	07/01/10-09/30/11	\$ 155,838	\$ 124,420	\$ -	\$ 155,838	\$ 155,838	\$ 31,418		
Title I: Grants to Local Educational Agencies, Recovery Act	I	84.389	07/01/09-09/30/11	97,322	33,743	(6,660)	40,403	40,403	-		
Title I: Grants to Local Educational Agencies	I	84.010	07/01/09-09/30/10	169,605	29,614	29,614	-	-	-		
Title I: Grants to Local Educational Agencies	I	84.010	07/01/09-09/30/10	1,800	1,800	1,800	-	-	-		
Total Title I, Part A Cluster					189,577	24,754	196,241	196,241	31,418		
Improving Teacher Quality State Grants	I	84.367	07/01/10-09/30/11	27,632	27,632	-	27,632	27,632	-		
State Fiscal Stabilization Fund (SFSF), Recovery Act	I	84.394	07/01/10-06/30/11	380,131	285,098	-	380,131	380,131	95,033		
State Fiscal Stabilization Fund (SFSF), Recovery Act	I	84.394	07/01/09-06/30/10	389,558	64,926	64,926	-	-	-		
Education Jobs Fund	I	84.410	08/10/10--09/30/11	225,221	225,221	-	225,221	225,221	-		
Medical Assistance Program	I	93.778	07/01/10-06/30/11	N/A	50,000	-	50,000	50,000	-		
Medical Assistance Program	I	93.778	07/01/09-06/30/10	N/A	23,000	23,000	-	-	-		
Passed through Berks County Intermediate Unit:											
Special Education Cluster (IDEA)											
Special Education-Grants to States	I	84.027	07/01/10-09/30/11	184,362	123,193	-	184,362	184,362	61,169		
Special Education-Grants to States, Recovery Act	I	84.391	07/01/09-09/30/11	264,165	207,642	205,089	2,553	2,553	-		
Special Education-Grants to States	I	84.027	07/01/09-09/30/10	211,110	134,219	134,219	-	-	-		
Total Special Education Cluster (IDEA)					465,054	339,308	186,915	186,915	61,169		
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>							1,330,508	451,988	1,066,140	1,066,140	187,620
<b>U.S. Department of Agriculture</b>											
Child Nutrition Cluster											
Passed through Commonwealth of Pennsylvania											
Department of Education:											
School Breakfast Program	I	10.553	07/01/10-06/30/11	N/A	19,663	-	20,271	20,271	608		
School Breakfast Program	I	10.553	07/01/09-06/30/10	N/A	1,186	1,186	-	-	-		
National School Lunch Program	I	10.555	07/01/10-06/30/11	N/A	150,119	-	153,107	153,107	2,988		
National School Lunch Program	I	10.555	07/01/09-06/30/10	N/A	4,528	4,528	-	-	-		
Subtotal					175,496	5,714	173,378	173,378	3,596		
Passed through Commonwealth of Pennsylvania											
Department of Agriculture:											
National School Lunch Program - USDA Commodities	I	10.555	07/01/10-06/30/11	N/A	25,867	(854)	21,672	21,672	(5,049)		
<b>TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE</b>							201,363	4,860	195,050	195,050	(1,453)
<b>TOTAL FEDERAL AWARDS</b>							<u>\$ 1,531,871</u>	<u>\$ 456,848</u>	<u>\$ 1,261,190</u>	<u>\$ 1,261,190</u>	<u>\$ 186,167</u>

I = Indirect Source of Funding

**ANTIETAM SCHOOL DISTRICT**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2011**

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**NOTE 1**

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting, which is the same basis used for the basic financial statements.



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Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Antietam School District, as of and for the year ended June 30, 2011, which collectively comprise Antietam School District's basic financial statements and have issued our report thereon dated November 2, 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

Management of Antietam School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Antietam School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Antietam School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Antietam 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 would not necessarily identify all deficiencies in internal control 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 Antietam School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Antietam School District in a separate letter dated November 2, 2011.

This report is intended solely for the information and use of the finance committee, management, board of school directors 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.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 2, 2011





**HERBEIN+COMPANY, INC.**

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants Private Companies Practice Section  
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**Independent Auditor's 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**

**To the Board of School Directors  
Antietam School District  
Reading, Pennsylvania**

**Compliance**

We have audited Antietam School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Antietam School District's major federal programs for the year ended June 30, 2011. Antietam School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Antietam School District's management. Our responsibility is to express an opinion on Antietam School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government 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 Antietam School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Antietam School District's compliance with those requirements.

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

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Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 school directors, 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.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
November 2, 2011

**ANTIETAM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2011**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unqualified  
Internal Control Over Financial Reporting:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal Control Over Major Programs:  
Material weakness(es) identified?        yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?        yes   X   none reported  
Type of Auditor's Report Issued on Compliance for Major Programs: Unqualified  
Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133, Section .510(a)?        yes   X   no

Identification of Major Program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	State Fiscal Stabilization Fund (SFSF), Recovery Act

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

Auditee qualified as low-risk auditee?   X   yes        no

**ANTIETAM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**For the Year Ended June 30, 2011**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

**ANTIETAM SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2011**

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There were no prior year audit findings.