



ANTIETAM SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2012

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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, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2012 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 and employer contributions - 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 financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Herbein + Company, Inc.

Reading, Pennsylvania
November 7, 2012

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

June 30, 2012

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, 2012. 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 2011-2012 school year was 1,032 students, which was an increase of 34 students over the prior year's enrollment of 998. 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 61.7% of the District's general revenues, and program specific revenue in the form of grants, entitlements and investment earnings accounted for 38.3% of general revenues.

Governmental activities expenditures in the general fund totaled \$14.1 million, of which \$7.8 million was spent on instructional services, \$4.5 million was spent on support services, \$.4 million was spent on non-instructional services, and \$1.4 million was spent on debt service. Total expenditures in the general fund were \$23.3 million, of which \$9.2 million was related to the refunding of two general obligation bond issues.

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:

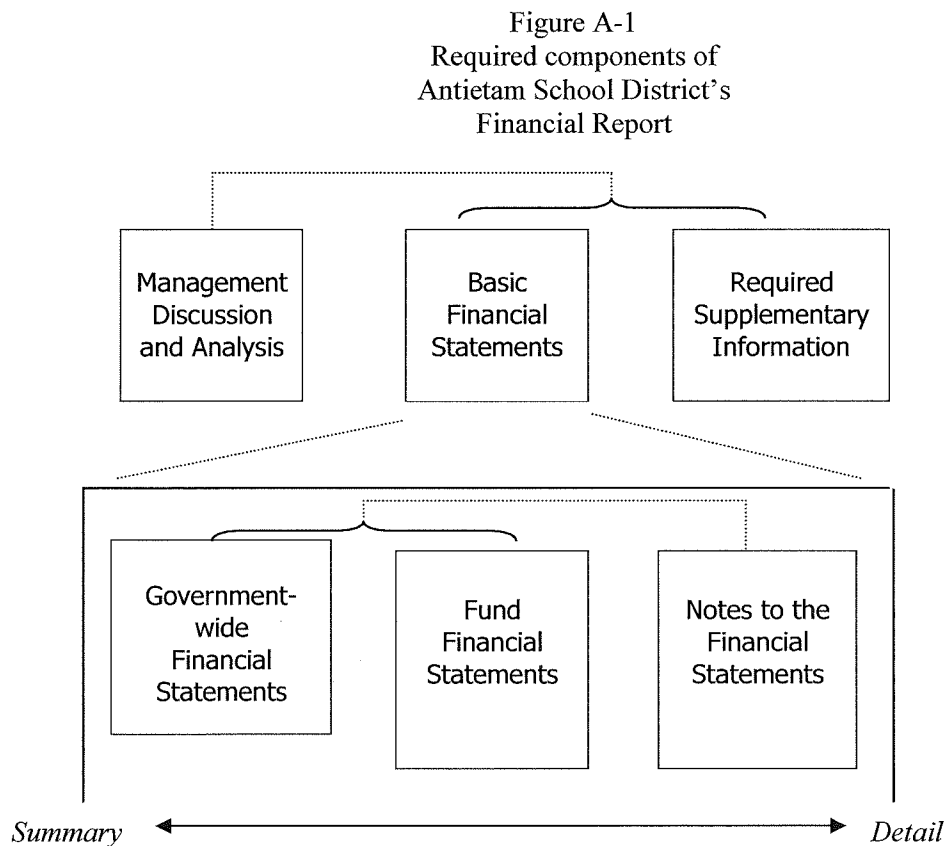


Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

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 \$5,536,898 at June 30, 2012.

Table A-1
Fiscal Years ended June 30, 2011 and June 30, 2012
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current assets	\$ 6,908,753	\$ 6,320,766	\$18,297	\$39,371	\$ 6,927,050	\$ 6,360,137
Non current assets	19,669,104	19,639,195	11,365	10,556	19,680,469	19,649,751
Other assets	386,313	426,617	0	0	386,313	426,617
Total Assets	\$26,964,170	\$26,386,578	\$29,662	\$49,927	\$26,993,832	\$26,436,505
Current liabilities	\$ 2,150,130	\$ 2,055,523	\$ 15,889	\$ 11,312	\$ 2,166,019	\$ 2,066,835
Long-term liabilities	19,168,381	18,832,772	0	0	19,168,381	18,832,772
Total Liabilities	\$21,318,511	\$20,888,295	\$15,889	\$11,312	\$21,334,400	\$20,899,607
Net Assets						
Invested in capital assets, net of related debt	\$935,644	\$301,032	\$11,365	\$10,556	\$947,009	\$311,588
Restricted	53,833	564,017	0	0	53,833	564,017
Unrestricted	4,656,182	4,633,234	2,408	28,059	4,658,590	4,661,293
Total Net Assets	\$5,645,659	\$5,498,283	\$13,773	\$38,615	\$5,659,432	\$5,536,898

A portion of the District's net assets are invested in or restricted for capital assets (buildings, land, and equipment). The unrestricted portion of the District's net assets at June 30, 2012 is \$4,661,293.

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, 2011 and June 30, 2012
Changes in Net Assets from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Revenues						
Program Revenue						
Charges for services	\$ 76,029	\$ 50,036	\$262,050	\$245,239	\$ 338,079	\$ 295,275
Operating grants & contributions	2,548,017	1,801,639	221,739	244,079	2,769,756	2,045,718
Capital grants and contributions	76,102	78,908	0	0	76,102	78,908
General revenues	12,042,572	12,507,074	14	5	12,042,586	12,507,079
Total Revenues	\$14,742,720	\$14,437,657	\$483,803	\$489,323	\$15,226,523	\$14,926,980
Expenses						
Regular Instruction	\$6,387,455	\$6,193,561	\$ 0	\$ 0	\$6,387,455	\$6,193,561
Special Instruction	2,021,111	1,826,049	0	0	2,021,111	1,826,049
Vocational Instruction	418,178	417,200	0	0	418,178	417,200
Other Instructional Programs	138,568	110,635	0	0	138,568	110,635
Pupil Personnel	505,329	502,536	0	0	505,329	502,536
Instructional Staff	387,529	394,893	0	0	387,529	394,893
Administration	1,295,270	1,316,489	0	0	1,295,270	1,316,489
Pupil Health	146,982	161,608	0	0	146,982	161,608
Business Services	299,685	303,526	0	0	299,685	303,526
Operation & Maintenance of Plant	1,550,376	1,677,013	0	0	1,550,376	1,677,013
Student Transportation Services	171,981	173,990	0	0	171,981	173,990
Central Services	286,254	279,045	0	0	286,254	279,045
Other Support Services	7,719	8,964	0	0	7,719	8,964
Student Activities	345,125	328,239	0	0	345,125	328,239
Community Services	10,178	15,666	0	0	10,178	15,666
Interest on Long-Term Debt	753,479	811,727	0	0	753,479	811,727
Refund of Prior Year Revenue	0	63,892	0	0	0	63,892
Food Services	0	0	495,577	464,481	495,577	464,481
Total Expenses	\$14,725,219	\$14,585,033	\$495,577	\$464,481	\$15,220,796	\$15,049,514
Increase(Decrease) in Net Assets	\$17,501	(\$147,376)	(\$11,774)	\$24,842	\$5,727	(\$122,534)

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, 2011 and June 30, 2012
Net Cost of Governmental Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011-12</u>	<u>2011</u>	<u>2012</u>	<u>2011-12</u>
Regular Instruction	\$6,387,455	\$6,193,561	-3.04%	\$5,339,183	\$5,620,490	5.27%
Special Instruction	2,021,111	1,826,049	-9.65%	923,421	1,050,712	13.78%
Vocational Instruction	418,178	417,200	-.23%	418,178	417,200	-.23%
Other Instructional Programs	138,568	110,635	-20.16%	130,347	105,947	-18.72%
Pupil Personnel	505,329	502,536	-.55%	417,742	408,453	-2.22%
Instructional Staff	387,529	394,893	1.90%	367,194	372,920	1.56%
Administration	1,295,270	1,316,489	1.64%	1,229,576	1,240,766	.91%
Pupil Health	146,982	161,608	9.95%	113,359	127,323	12.32%
Business Services	299,685	303,526	1.28%	286,289	287,830	.54%
Operation & Maintenance of Plant	1,550,376	1,677,013	8.17%	1,505,740	1,622,490	7.75%
Student Transportation Services	171,981	173,990	1.17%	53,777	56,592	5.23%
Central Services	286,254	279,045	-2.52%	226,291	218,099	-3.62%
Other Support Services	7,719	8,964	16.13%	7,719	8,964	16.13%
Student Activities	345,125	328,239	-4.89%	318,700	304,287	-4.52%
Community Services	10,178	15,666	53.92%	10,178	15,666	53.92%
Interest on Long-Term Debt	753,479	811,727	7.73%	677,377	732,819	8.18%
Refund of Prior Year Revenue	0	63,892	-	0	63,892	-
	<u>\$14,725,219</u>	<u>\$14,585,033</u>	<u>- .95%</u>	<u>\$12,025,071</u>	<u>\$12,654,450</u>	<u>5.23%</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, 2011 and June 30, 2012
Net Cost of Business-type Activities

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2011</u>	<u>2012</u>	<u>2011-12</u>	<u>2011</u>	<u>2012</u>	<u>2011-12</u>
Food Services	<u>\$495,577</u>	<u>\$464,481</u>	<u>-6.27%</u>	<u>(\$11,788)</u>	<u>\$24,837</u>	<u>310.70%</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, 2012, the District's governmental funds reported a combined fund balance of \$4,933,500, which is a decrease of \$644,484 from June 30, 2011. The decrease in the fund balance is due to the completion of the electrical system upgrade and replacement of existing unit ventilators at the Mount Penn Elementary Center and the replacement of existing unit ventilators at the Middle/Senior High School.

General Fund:

The unassigned fund balance of \$1,285,220 is 9.1% of the general fund expenditures. The committed fund balance of \$3,084,263 will be used primarily for future retirement costs, which are projected to increase from 8.65% of salaries in 2011-2012 to 23.66% of salaries in 2015-2016.

Capital Projects Fund:

The restricted fund balance of \$564,017 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, 2012, the District had \$19,639,195 in governmental activities and \$10,556 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, 2011 and June 30, 2012
Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land	\$ 310,056	\$ 310,056	\$ 0	\$ 0	\$ 310,056	\$ 310,056
Land Improvements	170,774	161,619	0	0	170,774	161,619
Buildings and Building Improvements	17,252,740	18,313,828	0	0	17,252,740	18,313,828
Fixtures and Equipment	925,185	853,692	11,365	10,556	936,550	864,248
Construction in Progress	1,010,349	0	0	0	1,010,349	0
	<u>\$ 19,669,104</u>	<u>\$ 19,639,195</u>	<u>\$11,365</u>	<u>\$10,556</u>	<u>\$19,680,469</u>	<u>\$19,649,751</u>

Debt Administration

Bond Obligations – As of June 30, 2011 and June 30, 2012 the Antietam School District had outstanding bond obligations of \$20,075,000 and \$19,825,000, respectively.

Leases – The District has entered into two capital leases for technology equipment and four 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 (2012-2013 actual: 12.36%; 2013-2014 projected: 16.75%; and 2014-2015 projected: 21.18%), 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, 2012

	Governmental Activities	Business- Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 5,650,938	\$ 24,583	\$ 5,675,521
Taxes Receivable, Net	378,456	-	378,456
Internal Balances	10,906	(10,906)	-
Intergovernmental Receivables	271,235	9,532	280,767
Other Receivables, Net	9,231	113	9,344
Inventories	-	16,049	16,049
TOTAL CURRENT ASSETS	6,320,766	39,371	6,360,137
NONCURRENT ASSETS			
Land	310,056	-	310,056
Land Improvements, Net of Depreciation	161,619	-	161,619
Building and Building Improvements, Net of Depreciation	18,313,828	-	18,313,828
Furniture and Equipment, Net of Depreciation	853,692	10,556	864,248
TOTAL NONCURRENT ASSETS	19,639,195	10,556	19,649,751
OTHER ASSETS			
Bond Issuance Costs, Net of Amortization	426,617	-	426,617
TOTAL ASSETS	\$ 26,386,578	\$ 49,927	\$ 26,436,505

See accompanying notes.

	Governmental Activities	Business- Type Activities	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 328,770	\$ 7,137	\$ 335,907
Intergovernmental Payables	18,472	-	18,472
Accrued Salaries and Benefits	738,316	305	738,621
Accrued Interest	164,092	-	164,092
Deferred Revenue	729	3,870	4,599
Current Portion of Long-Term Obligations	716,267	-	716,267
Current Portion of Compensated Absences	88,877	-	88,877
TOTAL CURRENT LIABILITIES	2,055,523	11,312	2,066,835
NONCURRENT LIABILITIES			
Bonds Payable	19,120,000	-	19,120,000
Deferred Refunding Gain (Loss), Net of Amortization	(473,013)	-	(473,013)
Bond Discount, Net of Amortization	(89,907)	-	(89,907)
Bond Premium, Net of Amortization	64,816	-	64,816
Long-Term Portion of Compensated Absences	173,691	-	173,691
Other Post Employment Benefits	37,185	-	37,185
TOTAL NONCURRENT LIABILITIES	18,832,772	-	18,832,772
TOTAL LIABILITIES	20,888,295	11,312	20,899,607
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	301,032	10,556	311,588
Restricted for Capital Projects	564,017	-	564,017
Unrestricted	4,633,234	28,059	4,661,293
TOTAL NET ASSETS	5,498,283	38,615	5,536,898
TOTAL LIABILITIES AND NET ASSETS	\$ 26,386,578	\$ 49,927	\$ 26,436,505

ANTIETAM SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

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
Governmental Activities:						
Instruction:						
Regular	\$ 6,193,561	\$ 18,931	\$ 554,140	\$ -	\$ (5,620,490)	\$ -
Special	1,826,049	5,045	770,292	-	(1,050,712)	-
Vocational	417,200	-	-	-	(417,200)	-
Other Instructional Programs	110,635	-	4,688	-	(105,947)	-
Total Instructional Services	8,547,445	23,976	1,329,120	-	(7,194,349)	-
Support Services:						
Pupil Personnel	502,536	-	94,083	-	(408,453)	-
Instructional Staff	394,893	-	21,973	-	(372,920)	-
Administration	1,316,489	-	75,723	-	(1,240,766)	-
Pupil Health	161,608	-	34,285	-	(127,323)	-
Business Services	303,526	-	15,696	-	(287,830)	-
Operation of Plant and Maintenance Services	1,677,013	17,809	36,714	-	(1,622,490)	-
Student Transportation Services	173,990	-	117,398	-	(56,592)	-
Central Support Services	279,045	-	60,946	-	(218,099)	-
Other Support Services	8,964	-	-	-	(8,964)	-
Total Support Services	4,818,064	17,809	456,818	-	(4,343,437)	-
Noninstructional Services:						
Student Activities	328,239	8,251	15,701	-	(304,287)	-
Community Services	15,666	-	-	-	(15,666)	-
Interest on Long-Term Debt	811,727	-	-	78,908	(732,819)	-
Refund of Prior Year Revenue	63,892	-	-	-	(63,892)	-
Total Noninstructional Services	1,219,524	8,251	15,701	78,908	(1,116,664)	-
Total Governmental Activities	14,585,033	50,036	1,801,639	78,908	(12,654,450)	-
Business-Type Activities:						
Food Services	464,481	245,239	244,079	-	-	24,837
Total Primary Government	\$ 15,049,514	\$ 295,275	\$ 2,045,718	\$ 78,908	(12,654,450)	24,837
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes					8,453,289	-
Public Utility Realty, Earned Income and Mercantile						-
Taxes Levied for General Purposes, Net					931,384	-
Grants, Subsidies, and Contributions Not Restricted					3,101,632	-
Investment Earnings					11,107	5
Miscellaneous Income					9,662	-
Total General Revenues					12,507,074	5
Change in Net Assets					(147,376)	24,842
Net Assets - Beginning					5,645,659	13,773
Net Assets - Ending					\$ 5,498,283	\$ 38,615

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2012

	General	Capital Projects (Nonmajor)	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 5,087,041	\$ 563,897	\$ 5,650,938
Taxes Receivable, Net	384,598	-	384,598
Interfund Receivables	11,432	120	11,552
Intergovernmental Receivables	271,235	-	271,235
Other Receivables, Net	8,731	-	8,731
TOTAL ASSETS	<u>\$ 5,763,037</u>	<u>\$ 564,017</u>	<u>\$ 6,327,054</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Interfund Payables	\$ 146	\$ -	\$ 146
Intergovernmental Payables	18,472	-	18,472
Accounts Payable	328,770	-	328,770
Accrued Salaries, Benefits, and Payroll Withholdings	738,316	-	738,316
Deferred Revenues	307,850	-	307,850
TOTAL LIABILITIES	1,393,554	-	1,393,554
FUND BALANCES			
Restricted Fund Balance:			
Capital Projects	-	564,017	564,017
Committed Fund Balance:			
Future Retirement Costs	3,084,263	-	3,084,263
Unassigned Fund Balance:			
General Fund	1,285,220	-	1,285,220
TOTAL FUND BALANCES	<u>4,369,483</u>	<u>564,017</u>	<u>4,933,500</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,763,037</u>	<u>\$ 564,017</u>	<u>\$ 6,327,054</u>

See accompanying notes.

ANTIETAM SCHOOL DISTRICT

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

June 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 4,933,500

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 \$33,827,223 and the accumulated depreciation is \$14,188,028. 19,639,195

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. 307,121

Establish allowance for doubtful accounts - property taxes receivable (6,142)

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	\$ (19,825,000)	
Accrued Interest on Bonds	(164,092)	
Unamortized Deferred Refunding (Gain) Loss	473,013	
Unamortized Bond Discount	89,907	
Unamortized Bond Premium	(64,816)	
Unamortized Bond Issuance Costs	426,617	
Capital Leases	(11,267)	
Compensated Absences	(262,568)	
Other Post Employment Benefits	(37,185)	(19,375,391)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 5,498,283

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2012

	General	Capital Projects (Nonmajor)	Total Governmental Funds
REVENUES			
Local Sources	\$ 9,202,588	\$ 444	\$ 9,203,032
State Sources	4,983,370	-	4,983,370
Federal Sources	218,851	-	218,851
TOTAL REVENUES	14,404,809	444	14,405,253
EXPENDITURES			
Instructional Services	7,826,631	92,290	7,918,921
Support Services	4,460,715	90,208	4,550,923
Operation of Noninstructional Services	347,955	13,254	361,209
Capital Outlay	18,161	1,131,737	1,149,898
Debt Service			
Principal	600,000	-	600,000
Interest	809,168	-	809,168
Refunds of Prior Year Receipts	63,892	-	63,892
TOTAL EXPENDITURES	14,126,522	1,327,489	15,454,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	278,287	(1,327,045)	(1,048,758)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	-	84,041	84,041
Operating Transfers Out	(84,041)	-	(84,041)
Proceeds from Refunding Bonds	9,545,000	-	9,545,000
Bond Premium	65,704	-	65,704
Bond Discount	(11,430)	-	(11,430)
Debt Service - Principal - Refunded Bonds	(9,195,000)	-	(9,195,000)
TOTAL OTHER FINANCING SOURCES (USES)	320,233	84,041	404,274
NET CHANGE IN FUND BALANCES	598,520	(1,243,004)	(644,484)
FUND BALANCES - BEGINNING	3,770,963	1,807,021	5,577,984
FUND BALANCES - ENDING	\$ 4,369,483	\$ 564,017	\$ 4,933,500

See accompanying notes.

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, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

\$ (644,484)

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. In the current period, these amounts are:

Capital Outlays	\$ 1,373,720	
Loss on Disposal of Assets	(282)	
Less: Depreciation Expense	<u>(1,403,347)</u>	(29,909)

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.

32,405

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. 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. The effect of these transactions in the statement of activities is shown below:

Repayment of Bond Principal	600,000	
Refunded Bonds Redeemed	9,195,000	
Proceeds from Refunding Bonds	(9,545,000)	
Bond Issuance Costs	211,277	
Bond Discount	11,430	
Bond Premium	(65,704)	
Amortization of Bond Issuance Costs	(24,497)	
Amortization of Bond Discount	(6,377)	
Amortization of Bond Premium	888	
Amortization of Loss on Refunding	(20,939)	
Fixed Asset Installment Payables Paid	84,041	
Payments on Capital Lease Obligations	<u>73,337</u>	513,456

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, 2012

Interest is expensed when paid in the governmental funds. However, in the government-wide statements, interest expense is recognized as the interest accrues, regardless of when it is due. In the current period, the net effect of matching interest expense to the proper period is:

23,868

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.

(25,221)

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.

(17,491)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (147,376)

ANTIETAM SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND

June 30, 2012

	<u>Enterprise Fund Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 24,583
Intergovernmental Receivables	9,532
Inventories	16,049
Other Receivables	113
Interfund Receivables	<u>26</u>
TOTAL CURRENT ASSETS	50,303
NONCURRENT ASSETS	
Machinery and Equipment, Net	<u>10,556</u>
TOTAL ASSETS	<u><u>\$ 60,859</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Interfund Payables	\$ 10,932
Accounts Payable	7,137
Accrued Salaries and Benefits	305
Deferred Revenues	<u>3,870</u>
TOTAL CURRENT LIABILITIES	22,244
NET ASSETS	
Invested in Capital Assets	10,556
Unrestricted	<u>28,059</u>
TOTAL NET ASSETS	<u><u>38,615</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 60,859</u></u>

ANTIETAM SCHOOL DISTRICT

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

For the Year Ended June 30, 2012

	<u>Enterprise Fund Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ 245,239
OPERATING EXPENSES	
Salaries	168,104
Employee Benefits	38,582
Purchased Property Services	21,776
Other Purchased Services	463
Supplies	225,585
Depreciation	3,121
Other Expenses	<u>6,850</u>
TOTAL OPERATING EXPENSES	<u>464,481</u>
OPERATING LOSS	(219,242)
NONOPERATING REVENUES	
Local Sources - Earnings on Investments	5
State Sources	29,075
Federal Sources	<u>215,004</u>
TOTAL NONOPERATING REVENUES	<u>244,084</u>
CHANGE IN NET ASSETS	24,842
TOTAL NET ASSETS - BEGINNING	<u>13,773</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 38,615</u></u>

ANTIETAM SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2012

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 247,676
Cash Payments to Employees for Services	(206,776)
Cash Payments to Suppliers for Goods and Services	<u>(232,254)</u>
NET CASH USED BY OPERATING ACTIVITIES	(191,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	29,075
Federal Sources	<u>184,262</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	213,337
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Equipment	(2,312)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>5</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,676
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,907</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 24,583</u></u>

ANTIETAM SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2012

	Enterprise Fund Food Service
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</u>	
Operating Loss	\$ (219,242)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	3,121
Donated Commodities Used	30,742
Changes in Assets and Liabilities:	
Accounts Receivable	3,615
Inventories	1,192
Accounts Payable	(9,512)
Accrued Salaries and Benefits	(91)
Deferred Revenues	(1,179)
Total Adjustments	27,888
NET CASH USED BY OPERATING ACTIVITIES	\$ (191,354)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$30,742 of commodities from the U.S. Department of Agriculture.

ANTIETAM SCHOOL DISTRICT

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

	Private Purpose Trust Fund	Agency Funds Student Activities
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,721	\$ 51,224
Investments	1,543	-
TOTAL ASSETS	<u>\$ 6,264</u>	<u>\$ 51,224</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Interfund Payable	\$ -	\$ 500
Accounts Payable	-	50,724
TOTAL LIABILITIES	<u>-</u>	<u>\$ 51,224</u>
NET ASSETS		
Held in Trust for Scholarships	<u>\$ 6,264</u>	

ANTIETAM SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUND

For the Year Ended June 30, 2012

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Earnings on Investments	\$ 886
DEDUCTIONS	
Scholarships	<u>1,520</u>
CHANGE IN NET ASSETS	(634)
NET ASSETS - BEGINNING OF YEAR	<u>6,898</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,264</u></u>

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

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 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 District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the 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

The accounting policies of the Antietam School District (the District) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The following is a summary of the more significant policies and practices of the district.

A. 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. 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 on these criteria, the Antietam School District has no component units.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

1. **Joint Venture:** The District is a participating member of the Berks Career and Technology Center. See Note 11 for details of involvement and financial information of the joint venture.
2. **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.

B. Measurement Focus and Basis of Accounting

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
 - Fund financial statements
 - Notes to financial statements
1. **Government-wide financial statements** (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions."*

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or the extent it is covered by the general revenues of the District.

2. **Fund financial statements.** The underlying accounting system of the District is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The financial statements for governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statements include financial information for the private purpose trust fund and activity fund. The agency (activity) fund primarily represents assets held by the District in a custodial capacity for other individuals or governments, and do not involve the measurement of results of operations. Agency funds do not have a measurement focus, but assets and liabilities are reported using the accrual basis of accounting. The private purpose trust fund accounts for the additions and deductions to the trust fund in a manner similar to a proprietary fund.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

- **Governmental funds**

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

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources."

Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

- **Proprietary funds**

The District's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The District applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary fund operating revenues and expenses, such as charges for services, program services, and administrative expenses, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues and expenses, such as operating grants, subsidies, investment earnings, interest expense, and bond issuance costs, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as expenses. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as revenue. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

C. Basis of Presentation

The determination of major funds is based on minimum criteria as set forth in GASB Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."* The nonmajor funds are combined in a column in the fund financial statements. The following are the District's major funds:

1. Government Fund Type

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.

2. Enterprise Fund Type

Food Service Fund - The fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

3. Other Fund Types

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. 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.

E. Investments and Cash Equivalents

Investments are carried at market value.

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

F. Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

G. 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 policy of the District to charge these items to expense upon acquisition.

Inventories of the Food Service Fund consisting of food and paper supplies 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, 2012, consist of the following:

Purchased food and supplies	\$ 12,179
Donated commodities	<u>3,870</u>
	<u>\$ 16,049</u>

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. 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. In addition, 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:

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

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).

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. 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, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Unearned and Deferred Revenues

Revenues that are received but not earned are deferred in the government-wide and enterprise funds financial statements. In the District's governmental funds, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred and unearned revenues also arise when resources are received by the government before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

K. Net Assets

Government Accounting Standards requires the classification of net assets into the three components shown below, which are defined as follows:

Invested in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvements of these assets reduce the balance in this category.

Restricted net assets - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Unrestricted net assets - This category represents net assets of the District, which are not restricted for any project or other purpose.

L. Governmental Fund Balances

Government Accounting Standards has established accounting and financial standards for all governments that report governmental funds. The standards established criteria for classifying funds balances into specifically defined classifications as follows:

Nonspendable - Amounts that are not in a spendable form such as inventory and prepaid expenses or are required to be maintained intact such as the principal of an endowment. The nonspendable portion of fund balance must be identified before any other categories are determined.

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.

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 should 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 that are the portion of fund balance not obligated or specifically designated and are available for any purpose.

M. 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.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 2 - CASH AND INVESTMENTS

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, 2012, the carrying amount of the District's deposits was \$9,778 and the bank balance was \$9,778. Of the bank balance, \$9,778 was covered by federal depository insurance.

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, 2012, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	12 months	\$ 1,543
PA Local Government Investment Trust		5,626,579
PA Invest		<u>172,905</u>
Total Investments		<u>\$ 5,801,027</u>

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

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 2 - CASH AND INVESTMENTS - CONTINUED

Interest Rate Risk

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

Credit Risk

The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2012, the District's investments were rated as:

<u>Investment</u>	<u>Standard & 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

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 \$258,399,500. The District is permitted by state law to levy taxes. The millage rate levied by the District for the fiscal year ended June 30, 2012 was 32.96 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, 2012

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

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, 2012 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance Uncollectible Taxes</u>	<u>Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real estate	<u>\$ 384,598</u>	<u>\$ 6,142</u>	<u>\$ 378,456</u>	<u>\$ 77,477</u>	<u>\$ 307,121</u>

The deferred revenue balance in the General Fund of \$307,850 consists of \$307,121 of deferred real estate taxes and \$729 of grants not fully spent.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 4 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The following schedule represents intergovernmental receivables and payables at June 30, 2012:

	General Fund	Proprietary - Food Service
<u>Receivables</u>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 88,820	\$ 4,646
Other LEA's	19,791	-
Total Local Sources	<u>108,611</u>	<u>4,646</u>
<u>State Sources</u>		
State Subsidy - Social Security	14,130	-
State Subsidy - Retirement	105,896	-
State Subsidy - Transportation	162	-
State Subsidies - Cafeteria	-	1,012
Total State Sources	<u>120,188</u>	<u>1,012</u>
<u>Federal Sources</u>		
Federal Grant - Title I - Improving Basic Programs	38,944	-
Federal Grant - Education Jobs Fund	3,492	-
Federal Subsidies - Cafeteria	-	3,874
Total Federal Sources	<u>42,436</u>	<u>3,874</u>
Total Intergovernmental Receivables	<u><u>\$ 271,235</u></u>	<u><u>\$ 9,532</u></u>
<u>Payables</u>		
<u>Local Sources</u>		
Berks County Intermediate Unit	\$ 7,363	\$ -
Borough of Mt. Penn	4,299	-
Mount Penn BMA	5,270	-
Salisbury Township School District	1,412	-
	<u>18,344</u>	<u>-</u>
<u>Federal Sources</u>		
Federal Grant - Title IIA - Improving Teacher Quality	<u>128</u>	<u>-</u>
Total Intergovernmental Payables	<u><u>\$ 18,472</u></u>	<u><u>\$ -</u></u>

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 5 - INTERFUND BALANCES

Interfund Balances

The following schedule represents the interfund balances at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 11,432	\$ 146
Capital Projects Fund - Nonmajor	120	-
Enterprise (Food Service) Fund	26	10,932
Student Activities Fund	-	500
	<u>\$ 11,578</u>	<u>\$ 11,578</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, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 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	1,010,349	1,150,152	(2,160,501)	-
Totals at historical cost	1,320,405	1,150,152	(2,160,501)	310,056
Capital assets being depreciated:				
Land Improvements	183,115	-	-	183,115
Buildings/building improvements	28,533,246	38,090	2,160,501	30,731,837
Furniture and equipment	2,546,539	185,478	(129,802)	2,602,215
Totals at historical cost	31,262,900	223,568	2,030,699	33,517,167
Less accumulated depreciation for:				
Land Improvements	12,341	9,155	-	21,496
Buildings/building improvements	11,280,506	1,137,503	-	12,418,009
Furniture and equipment	1,621,354	256,689	(129,520)	1,748,523
Total accumulated depreciation	12,914,201	1,403,347	(129,520)	14,188,028
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	18,348,699	(1,179,779)	2,160,219	19,329,139
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 19,669,104	\$ (29,627)	\$ (282)	\$ 19,639,195

Business-Type Activities

Capital assets being depreciated:				
Machinery and equipment	\$ 334,112	\$ 2,312	\$ (34,328)	\$ 302,096
Less accumulated depreciation for:				
Machinery and equipment	322,747	3,121	(34,328)	291,540
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 11,365	\$ (809)	\$ -	\$ 10,556

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/program of primary government as follows:

Instruction:	
Regular	\$ 801,757
Special	9,975
	<u>811,732</u>
Support Services:	
Pupil Personnel	2,569
Instructional Staff	21,404
Administration	5,037
Pupil Health	279
Business Services	15,536
Operation of Plant and Maintenance Services	494,797
Student Transportation Services	15,693
Central	34,526
	<u>589,841</u>
Noninstructional Services-Student Activities	<u>1,774</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,403,347</u></u>

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - LONG-TERM LIABILITIES

Bonds payable outstanding at June 30, 2012 are as follows:

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%.

\$ 1,490,000

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%.

6,260,000

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.

2,595,000

General Obligation Bonds, Series of 2012:

The General Obligation Bonds, Series of 2012, aggregate principal of \$6,980,000, were issued January 25, 2011 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2006 and (2) pay bond issuance costs. The bonds mature from April 2012 to April 2035. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.410% to 4.125%. The economic gain or loss on refunding was immaterial.

6,915,000

General Obligation Bonds, Series of 2012A:

The General Obligation Bonds, Series of 2012, aggregate principal of \$2,565,000, were issued May 18, 2012 for the purpose of providing funds to: (1) currently refund the outstanding General Obligation Bonds, Series of 2007 and (2) pay bond issuance costs. The bonds mature from August 2012 to August 2021. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.350% to 3.000%. The economic gain or loss on refunding was immaterial.

2,565,000

TOTAL BONDS PAYABLE \$ 19,825,000

ANTIETAM SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

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:

	Series of 2010A	Series of 2010B	Series of 2011	Series of 2012	Series of 2012A	Bonds Payable	Total Interest
2013	\$ 5,000	\$ 325,000	\$ 15,000	\$ 220,000	\$ 140,000	\$ 705,000	\$ 637,166
2014	5,000	375,000	15,000	215,000	245,000	855,000	642,690
2015	5,000	385,000	15,000	230,000	245,000	880,000	625,203
2016	5,000	390,000	15,000	230,000	260,000	900,000	601,954
2017	5,000	395,000	15,000	245,000	265,000	925,000	576,926
2018-2022	25,000	2,220,000	65,000	1,305,000	1,410,000	5,025,000	2,469,023
2023-2027	435,000	2,170,000	1,765,000	1,485,000	-	5,855,000	1,589,717
2028-2032	1,005,000	-	690,000	1,755,000	-	3,450,000	550,593
2033-2035	-	-	-	1,230,000	-	1,230,000	102,638
	<u>\$ 1,490,000</u>	<u>\$ 6,260,000</u>	<u>\$ 2,595,000</u>	<u>\$ 6,915,000</u>	<u>\$ 2,565,000</u>	<u>\$ 19,825,000</u>	<u>\$ 7,795,910</u>

Capital Lease Obligations

The District is obligated under capital leases for certain computer equipment that expire in 2012/2013. The gross amount of such equipment and related accumulated amortization under capital lease was as follows as of June 30, 2012:

Cost	\$ 341,096
Accumulated Depreciation	<u>153,357</u>
Net Book Value	<u>\$ 187,739</u>

Depreciation expense on assets held under capital leases was \$67,640 for the year ended June 30, 2012.

Future minimum lease payments under capital lease obligations are \$11,267 for the year ending June 30, 2013.

In July 2012, the District entered into another capital lease for certain computer equipment. The lease agreement calls for three lease payments of \$87,504, including interest, expiring in June 2015.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation					
Bonds Payable	\$ 20,075,000	\$ 9,545,000	\$ 9,795,000	\$ 19,825,000	\$ 705,000
Other Liabilities:					
Fixed Asset Installment Payable	84,041	-	84,041	-	-
Capital Leases	84,604	-	73,337	11,267	11,267
Compensated Absences	237,347	142,152	116,931	262,568	88,877
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	<u>\$ 20,480,992</u>	<u>\$ 9,687,152</u>	<u>\$ 10,069,309</u>	<u>\$ 20,098,835</u>	<u>\$ 805,144</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, 2012 was \$809,168.

Defeased Debt

During 2011/2012, general obligation bonds totaling \$2,565,000 were issued to currently refund the Revenue Bond Series of 2007. The Revenue Bond Series A of 2012 was issued and deposited in irrevocable trust with an escrow agent to provide debt service payments until the defeased 2007 Revenue Bonds were called. The current refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District's general long-term liabilities. The bonds were called in August 2012.

Fixed Asset Installment Payable

The fixed asset installment payment represented amounts due on the acquisition of software. \$40,415 was due during the fiscal year ended June 30, 2012. Final payment of \$43,626 was due during the fiscal year ending June 30, 2013. The District satisfied the entire payable during the fiscal year ended June 30, 2012.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

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 \$88,877 and \$173,691, 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

Multiple Employer Defined Pension Plan

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.

Funding Policy:

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. 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. Members joining PSERS on or after July 1, 2011, contribute a 7.5 percent (Membership Class TE) or at 10.30 percent (Membership Class TF). Both membership classes TE and TF contain a "shared risk" which allows for an increase in the contribution percentage up to an additional 2.00 percent based on market results.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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, 2012, the rate of employer contributions was 8.65 percent of covered payroll. The 8.65 percent rate is composed of a pension contribution rate of 8.00 percent for pension benefits and 0.65 percent for healthcare insurance premium assistance. The District's contributions to PSERS for the years ended June 30, 2012, 2011, and 2010 were \$598,605, \$407,469, and \$341,786, respectively. These amounts are equal to the required contribution for each year.

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

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, 2012, the District contributed \$5,775 on behalf of its retirees.

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS

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, 2012

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

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 the 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, 2012, the District contributed \$161,646 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	886
Adjustment to annual required contribution	<u>(2,986)</u>
Annual OPEB Cost	179,137
Contributions made	<u>(161,646)</u>
Increase in net OPEB obligation	17,491
Net OPEB obligation - beginning of year	<u>19,694</u>
 Net OPEB obligation - end of year	 <u><u>\$ 37,185</u></u>

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 10 - POST EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

The District'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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 179,137	90.2%	\$ 37,185
6/30/2011	179,566	97.8%	19,694
6/30/2010	181,237	91.4%	15,672

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 eight percent initially, decreasing 0.5 percent per year to an ultimate rate of five 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, 2012

NOTE 11 - JOINT VENTURE

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, 2012, Antietam School District's share was \$378,227. 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 2011/2012 year was \$38,974.

Summary financial information as of June 30, 2011 (most recent available) is as follows:

Berks Career & Technology Center (Governmental Activities - Government-Wide Financial Statements)	
Total Assets	\$ 33,247,522
Total Liabilities	<u>(19,936,172)</u>
Total Net Assets	<u>\$ 13,311,350</u>

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

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 12 - FUND BALANCE

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, 2012 are as follows:

General Fund

The general fund has committed funds of \$3,084,263 for retirement rate increases 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.

Capital Projects

The capital projects fund has restricted funds of \$564,017 designated by the board of school directors for the acquisition or construction of capital facilities and capital assets.

Spending policy

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.

Minimum fund balance policy

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.

NOTE 13 - RISK MANAGEMENT

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 2011/2012 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, 2012, there was no unfunded liability.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 14 - CONTINGENT LIABILITIES

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.

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

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

- 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.
- Statement No 61, The Financial Reporting Entity - Omnibus which is required to be implemented by the year ending 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 ending 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.

ANTIETAM SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented by the year ending June 30, 2013. The objective of this statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement also restricts the use of the term “deferred” only to those items designated as deferred outflows or deferred inflows of resources by the standards.
- Statement No. 67, Financial Reporting for Pension Plans, which is required to be implemented by the year ending June 30, 2014. The objective of this statement is to improve financial reporting by enhancing financial statement note disclosure and required supplementary information for government pension plans.
- Statement No. 68, Accounting and Financial Reporting for Pensions, which is required to be implemented by the year ending June 30, 2015. The objective of this statement is to improve accounting and financial reporting by governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also enhances note disclosure and required supplementary information for government pension plans. This pronouncement applies to employers that have a legal obligation to make contributions directly to a pension plan.

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, 2012

REVENUES AND OTHER FINANCING SOURCES	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
REVENUES				
Local Sources	\$ 9,219,397	\$ 9,219,397	\$ 9,202,588	\$ (16,809)
State Sources	4,953,618	4,953,618	4,983,370	29,752
Federal Sources	214,742	214,742	218,851	4,109
TOTAL REVENUES	14,387,757	14,387,757	14,404,809	17,052
EXPENDITURES AND OTHER FINANCING USES				
EXPENDITURES - INSTRUCTION				
Regular Programs - Elementary/Secondary	5,617,947	5,669,978	5,482,666	187,312
Special Programs - Elementary/Secondary	1,927,111	1,866,790	1,816,254	50,536
Vocational Education Programs	410,540	410,540	417,200	(6,660)
Other Instructional Programs - Elementary/Secondary	79,492	79,492	110,511	(31,019)
TOTAL INSTRUCTION	8,035,090	8,026,800	7,826,631	200,169
SUPPORT SERVICES				
Pupil Personnel	515,631	513,752	496,603	17,149
Instructional Staff	387,592	409,540	387,052	22,488
Administration	1,315,563	1,316,664	1,489,758	(173,094)
Pupil Health	163,848	164,333	161,208	3,125
Business	378,271	318,720	260,399	58,321
Operation and Maintenance of Plant Services	1,241,204	1,271,754	1,241,056	30,698
Student Transportation Services	170,088	170,088	158,167	11,921
Central	289,556	303,391	257,507	45,884
Other Support Services	9,400	9,400	8,965	435
TOTAL SUPPORT SERVICES	4,471,153	4,477,642	4,460,715	16,927
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student Activities	323,787	325,588	332,289	(6,701)
Community Services	18,000	18,000	15,666	2,334
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	341,787	343,588	347,955	(4,367)
FACILITIES ACQUISITION, CONSTRUCTION, AND IMPROVEMENT SERVICES				
Facilities Acquisition, Construction, and Improvement Services	-	-	18,161	(18,161)
DEBT SERVICE				
Principal	710,000	710,000	600,000	110,000
Interest	719,089	719,089	809,168	(90,079)
TOTAL DEBT SERVICE	1,429,089	1,429,089	1,409,168	19,921
Refund of Prior Year Receipts	-	-	63,892	(63,892)
TOTAL EXPENDITURES	14,277,119	14,277,119	14,126,522	150,597
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	110,638	110,638	278,287	167,649

See note to required supplementary information.

ANTIETAM SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2012

	Budgeted Amount		Actual (GAAP) Basis	Variances Final to Actual
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(3,000)	(3,000)	(84,041)	(81,041)
Proceeds from Refunding Bonds	-	-	9,545,000	9,545,000
Bond Premium	-	-	65,704	65,704
Bond Discount	-	-	(11,430)	(11,430)
Debt Service - Principal - Refunding Bonds	-	-	(9,195,000)	(9,195,000)
Budgetary Reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	(103,000)	(103,000)	320,233	423,233
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER EXPENDITURES AND OTHER FINANCING USES)	\$ 7,638	\$ 7,638	598,520	\$ 590,882
FUND BALANCE - JULY 1, 2011			3,770,963	
FUND BALANCE - JUNE 30, 2012			\$ 4,369,483	

ANTIETAM SCHOOL DISTRICT

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -
POST EMPLOYMENT BENEFITS PLAN**

June 30, 2012

Schedule of Funding Progress

	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)
Eligible Employees	1/1/2009	\$ -	\$ 959,740	\$ 959,740	0.00%	\$ 5,981,555	16.04%

Schedule of Employer Contributions

<u>Fiscal Year-End</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 179,137	\$ 161,646	90.24%	\$ 37,185
6/30/2011	179,566	175,544	97.76%	19,694
6/30/2010	181,237	165,565	91.35%	15,672

ANTIETAM SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

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, 2012

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, 2011	Revenue	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
<u>U.S. Department of Education</u>									
Passed through Commonwealth of Pennsylvania Department of Education:									
Title I: Grants to Local Educational Agencies	I	84.010	07/01/11-09/30/12	\$ 149,722	\$ 110,778	\$ -	\$ 149,722	\$ 149,722	\$ 38,944
Title I: Grants to Local Educational Agencies	I	84.010	07/01/10-09/30/11	155,838	31,418	31,418	-	-	-
Improving Teacher Quality State Grants	I	84.367	07/01/11-09/30/12	20,953	21,081	-	20,953	20,953	(128)
State Fiscal Stabilization Fund (SFSF), Recovery Act	I	84.394	07/01/10-06/30/11	380,131	95,033	95,033	-	-	-
Education Jobs Fund, Recovery Act	I	84.410	07/01/11-06/30/12	3,492	-	-	3,492	3,492	3,492
Passed through Berks County Intermediate Unit:									
Special Education-Grants to States	I	84.027	07/01/11-09/30/12	186,526	113,186	-	186,526	186,526	73,340
Special Education-Grants to States	I	84.027	07/01/10-09/30/11	184,362	61,169	61,169	-	-	-
TOTAL U.S. DEPARTMENT OF EDUCATION					432,665	187,620	360,693	360,693	115,648
<u>U.S. Department of Health & Human Services</u>									
Medical Assistance Reimbursement for Administration, Revenue Code 8820	I	93.778	07/01/11-06/30/12	N/A	684	-	684	684	-
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES					684	-	684	684	-
<u>U.S. Department of Agriculture</u>									
Child Nutrition Cluster									
Passed through Commonwealth of Pennsylvania Department of Education:									
School Breakfast Program	I	10.553	07/01/11-06/30/12	N/A	17,512	-	18,118	18,118	606
School Breakfast Program	I	10.553	07/01/10-06/30/11	N/A	608	608	-	-	-
National School Lunch Program	I	10.555	07/01/11-06/30/12	N/A	162,876	-	166,144	166,144	3,268
National School Lunch Program	I	10.555	07/01/10-06/30/11	N/A	2,988	2,988	-	-	-
Subtotal					183,984	3,596	184,262	184,262	3,874
Passed through Commonwealth of Pennsylvania Department of Agriculture:									
National School Lunch Program - USDA Commodities	I	10.555	07/01/11-06/30/12	N/A	29,563	(5,049)	30,742	30,742	(3,870)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE					213,547	(1,453)	215,004	215,004	4
TOTAL FEDERAL AWARDS					<u>\$ 646,896</u>	<u>\$ 186,167</u>	<u>\$ 576,381</u>	<u>\$ 576,381</u>	<u>\$ 115,652</u>

I = Indirect Source of Funding

ANTIETAM SCHOOL DISTRICT

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

NOTE 1

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.



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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, 2012, which collectively comprise Antietam School District's basic financial statements and have issued our report thereon dated November 7, 2012. 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 previously.

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 7, 2012.

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 7, 2012**



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, 2012. 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, 2012.

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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 the finance committee, management, 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 7, 2012

ANTIETAM SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

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>
84.027	Special Education-Grants to States

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
For the Year Ended June 30, 2012

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, 2012

There were no prior year audit findings.