

Susquehanna Township School District

Year Ended June 30, 2012



TROUT, EBERSOLE & GROFF_{LLP}

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Susquehanna Township School District

Financial Statements with Supplementary Information

Year Ended June 30, 2012

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Susquehanna Township School District

Financial Statements with Supplementary Information

Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members
Susquehanna Township School District
Harrisburg, 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 as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Susquehanna Township 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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, on our consideration of **Susquehanna Township 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 with 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 read in conjunction with this report in considering 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 on pages 3 through 11, and the budgetary comparison information on page 51 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, economical, 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 **Susquehanna Township School District's** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Trout, Ebersole & Groff, LLP

January 10, 2013
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

Year Ended June 30, 2012

The management of **Susquehanna Township School District** is pleased to present the following discussion and analysis of the School District's financial activities for the fiscal year ended June 30, 2012. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the School District in order to enhance the reader's understanding of the School District's basic financial statements.

The School District is required to present comparative financial information between the current year and the prior year in its Management's Discussion and Analysis (MD&A) as mandated by the Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Financial Highlights

Key financial highlights for the year ended June 30, 2012, are as follows:

- The total assets of the **Susquehanna Township School District** exceeded its liabilities at June 30, 2012, by \$20.6 million (net assets). Of this amount, \$15.04 million (unrestricted net assets) may be used to meet the School District's ongoing obligations to students and residents. Total net assets increased by \$1.16 million, almost 5 percent from the previous fiscal year.
- Total revenues generated from all governmental activities during the 2011-2012 year decreased \$1.64 million from the prior fiscal year. The primary reason for this decrease is the elimination of American Recovery and Reinvestment Act (ARRA) funding. Total expenses from all governmental activities increased \$626 thousand during the same period. The primary reason for the increase in expenditures is an increase in instructional expenditures.
- The School District's food service program, the only business-type activity, reported a decrease in net assets of approximately \$2,776 during the 2011-2012 fiscal year. Total food service revenues decreased by .5 percent or \$7,811 during the fiscal year. Food service expenses increased by 2.7 percent or \$38.1 thousand.
- As of June 30, 2012, the School District's governmental funds reported combined ending fund balances of \$14.2 million, a decrease of \$238 thousand in comparison with the prior year. Approximately 22 percent of total governmental fund balance is available for spending at the School District's discretion (unassigned).
- The general fund reported an unassigned fund balance on June 30, 2012, of \$3.1 million: which is 7.45 percent of budget expenditures of the 2012-2013 fiscal year. Legislation enacted by the Commonwealth of Pennsylvania requires school districts to target an unassigned general fund balance of 8.0 percent or less of budgeted expenditures for the succeeding year. Budgeted expenditures for the 2012-2013 fiscal year total \$41.57 million.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Overview of Financial Statements

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements, and other required supplementary information.

The first two statements of the basic financial statements are district-wide financial statements. These statements on pages 12 through 14 consist of the statement of net assets and the statement of activities. The district-wide financial statements provide both short-term and long-term information about the School District's overall financial status.

The remaining basic financial statements consist of fund financial statements. These statements focus on individual funds of the School District and provide a more detailed presentation of the School District's operations. The governmental funds statements on pages 15 and 17 present how general School District services are financed in the short-term as well as what remains for future spending. The proprietary fund statements on pages 20 through 23 present both short-term and long-term information about the activities that the School District operates similar to a business.

The basic financial statements also include notes on pages 26 through 50 that provide a more detailed explanation of some of the information in the financial statements. Following the basic financial statements is other required supplementary information on page 51 that consists of the School District's budgetary comparison.

District-Wide Financial Statements

The district-wide statements report financial information about the School District as a whole using accounting methods similar to the accounting used by private-sector companies. The statement of net assets includes all of the School District's assets and liabilities utilizing the full accrual basis of accounting. The statement of activities accounts for all of the School District's revenues and expenses, regardless of when cash is received or paid.

These two district-wide statements report the School District's net assets and changes in them. Net assets represent the difference between assets and liabilities. Net assets are one way to measure the School District's financial position, or financial health, over time. Increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School District, non-financial factors must also be considered, such as changes in the School District's property tax base and the performance of the students.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

District-Wide Financial Statements (Continued)

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

- **Governmental Activities** - All of the School District's basic services are included here, such as instruction, administration, and community services. Real estate, earned income taxes, state and federal subsidies, and grants finance most of these activities.
- **Business-Type Activities** - The School District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

Fund financial statements provide detailed information about the most significant funds or major funds - not the School District as a whole. Some funds are required to be reported as major funds.

- **Governmental Funds** - Most of the School District's activities are reported in governmental funds and focus on changes in financial resources, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's 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 School District's programs. The relationship (or differences) between governmental activities (reported in the statements of net assets and the statement of activities) and governmental funds is reconciled in the financial statements on pages 16, 18, and 19.
- **Proprietary Funds** - These funds are used to account for the School District activities that are similar to business operations in the private sector. When the School District charges customers for services it provides, these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- **Fiduciary Funds** - The School District is the trustee or agent for individuals, private organizations, and/or governmental units as shown on pages 24 and 25.

Financial Analysis of the School District as a Whole

The School District's total net assets were \$20,760,781 at June 30, 2012, which includes \$20,432,449 in governmental activities and \$238,332 in business-type activities.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Statement of Net Assets

	Governmental Activities			Business-Type Activities			Total School District		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Current and									
Other Assets	21,615,265	21,155,185	19,582,912	185,921	188,007	201,531	21,801,186	21,343,192	19,784,443
Capital Assets	<u>37,119,929</u>	<u>37,269,728</u>	<u>30,750,351</u>	<u>112,181</u>	<u>72,122</u>	<u>65,707</u>	<u>37,232,110</u>	<u>37,341,850</u>	<u>30,816,058</u>
TOTAL ASSETS	58,735,194	58,424,913	50,333,263	298,102	260,129	267,238	59,033,296	58,685,042	50,600,501
Current and									
Other Liabilities	5,831,084	4,953,396	4,662,235	51,756	16,855	24,273	5,882,840	4,970,251	4,686,508
Long-Term Liabilities	<u>32,471,661</u>	<u>34,199,804</u>	<u>29,496,671</u>	<u>8,014</u>	<u>7,718</u>	<u>7,471</u>	<u>32,479,675</u>	<u>34,207,522</u>	<u>29,504,142</u>
TOTAL LIABILITIES	38,302,745	39,153,200	34,158,906	59,770	24,573	31,744	38,362,515	39,177,773	34,190,650
Capital Assets, net of Related Debt	5,517,718	2,764,964	1,832,487	112,181	72,122	65,707	5,629,899	2,837,086	1,898,194
Restricted	1,446,528	2,892,265	1,069,048	-0-	-0-	-0-	1,446,528	2,892,265	1,069,048
Unrestricted	<u>13,468,203</u>	<u>13,614,484</u>	<u>13,272,822</u>	<u>126,151</u>	<u>163,434</u>	<u>169,787</u>	<u>13,594,354</u>	<u>13,777,918</u>	<u>13,442,609</u>
TOTAL NET ASSETS	20,432,449	19,271,713	16,174,357	238,332	235,556	235,494	20,670,781	19,507,269	16,409,851

The results of this year's operations as a whole are reported in the statement of activities. Direct expenses are listed by programs, then offset by program revenues to determine net revenue (expense) and changes in net assets. General revenues, such as taxes, state subsidies, and investment earnings are then applied to determine the change in net assets. For the 2011-2012 fiscal year, the change in net assets for governmental activities was an increase of \$1,160,736, and an increase of \$2,776 for business-type activities, for a net total increase of \$1,163,512 as reflected in the following chart.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Statement of Activities

	Governmental Activities		Business-Type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	126,137	184,552	765,167	803,284	891,304	987,836
Operating and Capital Grants and Contributions	5,421,660	7,032,438	642,650	612,344	6,064,310	7,644,782
General Revenues:						
Taxes	32,572,354	32,885,113	-0-	-0-	32,572,354	32,885,113
Unrestricted						
Investment Earnings	62,439	72,790	47	169	62,486	72,959
Miscellaneous Income	105,646	100,221	-0-	-0-	105,646	100,221
Unrestricted Grants and Subsidies	3,317,337	2,955,943	-0-	-0-	3,317,337	2,955,943
Transfers	(48,758)	-0-	48,758	-0-	-0-	-0-
Loss on Fixed Asset Dispositions	-0-	(43,056)	-0-	-0-	-0-	(43,056)
Total Revenues	41,556,815	43,188,001	1,456,622	1,415,797	43,013,437	44,603,798
Direct Expenses	<u>(40,396,079)</u>	<u>(39,972,273)</u>	<u>(1,453,846)</u>	<u>(1,415,735)</u>	<u>(41,849,925)</u>	<u>(41,388,008)</u>
Change in Net Assets	1,160,736	3,215,728	2,776	62	1,163,512	3,215,790

Direct expenses represents the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants, and contributions. The largest source of grants and contributions is state sources, which provided \$5,421,660 for governmental activities. The net cost of services must be recovered through general revenue, primarily real estate and income taxes. Amounts not recovered will reduce funds available for future years.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Governmental Activities

	Direct Expenses		Program Revenues		Net Cost	
	2012	2011	2012	2011	2012	2011
Instruction	26,202,523	25,448,764	3,703,611	5,339,847	22,498,912	20,108,917
Instructional						
Student Support	2,630,086	2,724,364	653,603	632,487	1,976,483	2,091,877
Administrative and						
Financial Support						
Services	3,757,974	3,627,027	164,018	124,467	3,593,956	3,502,560
Operation and						
Maintenance						
of Plant Services	3,470,113	3,884,868	140,501	146,813	3,329,612	3,738,055
Pupil Transportation	1,943,547	2,016,296	746,325	829,518	1,197,222	1,186,778
Student Activities	813,125	838,997	77,069	80,263	736,056	758,734
Community Services	5,041	7,396	-0-	-0-	5,041	7,396
Interest on						
Long-Term Debt	<u>1,573,670</u>	<u>1,424,561</u>	<u>62,670</u>	<u>63,595</u>	<u>1,511,000</u>	<u>1,360,966</u>
Total						
Governmental						
Activities	40,396,079	39,972,273	5,547,797	7,216,990	34,848,282	32,755,283
State General						
Subsidies Revenue					<u>(3,317,337)</u>	<u>(2,955,943)</u>
Total Needs from						
Taxes and Other						
Local Sources					31,530,945	29,799,340

Business-Type Activities

	Direct Expenses		Program Revenues		Net Cost	
	2012	2011	2012	2011	2012	2011
Food Services	1,453,846	1,415,735	1,407,817	1,415,628	(46,029)	(107)
Transfers	-0-	-0-	48,758	-0-	48,758	-0-
Investment Earnings	<u>-0-</u>	<u>-0-</u>	<u>47</u>	<u>169</u>	<u>47</u>	<u>169</u>
Total Business-						
Type Activities	1,453,846	1,415,735	1,456,622	1,415,797	2,776	62

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

The School District Funds

At June 30, 2012, governmental funds reported a combined fund balance of \$14,276,309, which is a decrease of \$238,257 from June 30, 2011.

Governmental Fund Balance

	2012	2011	Change	% Change
General Fund -				
Assigned	9,729,781	8,518,460	1,211,321	14%
Unassigned	3,100,000	3,100,000	-0-	0%
Capital Project Fund -				
Restricted	1,446,528	2,892,265	(1,445,737)	(50)%
Debt Service Fund - Restricted	<u>-0-</u>	<u>3,841</u>	<u>(3,841)</u>	(100)%
Total Governmental Funds	14,276,309	14,514,566	(238,257)	(1)%
Total Restricted	1,446,528	2,896,106	(1,449,578)	(50)%
Total Assigned	9,729,781	8,518,460	1,211,321	14%
Total Unassigned	<u>3,100,000</u>	<u>3,100,000</u>	<u>-0-</u>	<u>0%</u>
Total Governmental Funds	14,276,309	14,514,566	(238,257)	(1)%

Total Governmental Funds

During 2011-2012, the total capital projects fund balance decreased by \$1,445,737 as a result of the continued spending of capital projects money on building projects.

General Fund Budget

A general fund budget is adopted each year in accordance with the Pennsylvania School Code. The School District applies for state and federal grants each year. Certain grants may not be anticipated during the budgeting process and must be added to the budget during the fiscal year. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget must then be modified based on the actual grant award.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Capital Assets

At June 30, 2012, the School District had \$37,119,929 in governmental activities capital assets, which represents a decrease of \$149,799. The decrease was due to depreciation.

Capital Assets, net of Depreciation

	2012	2011	Change
Governmental Activities:			
Land	215,004	215,004	-0-
Land Improvements	1,805,347	1,748,586	56,761
Construction in Progress	1,157,013	-0-	1,157,013
Buildings and Improvements	32,590,847	33,750,984	(1,160,137)
Furniture and Equipment	1,255,376	1,439,615	(184,239)
Library Books	<u>96,342</u>	<u>115,539</u>	<u>(19,197)</u>
Total Governmental Capital Assets	37,119,929	37,269,728	(149,799)
Business-Type Activities:			
Furniture and Equipment	112,181	72,122	40,059

Long-Term Liabilities

Bonds payable were \$33,170,000 and \$34,780,000 at June 30, 2012 and 2011, respectively. The amount of bond principal due within one year is \$1,780,000. Moody's Corporation has assigned its municipal bond rating of "Aa3" to all outstanding series of bonds.

Compensated absences decreased during the year from an entity-wide perspective by \$16,495 to \$742,777 at June 30, 2012.

Susquehanna Township School District

MANAGEMENT'S DISCUSSION and ANALYSIS

(Continued)

Year Ended June 30, 2012

Next Year's Budget and Economic Factors

	Budget 2012-2013	Budget 2011-2012	Change
Total Revenues	40,823,752	40,855,519	(31,767)
Total Expenditures	<u>41,569,953</u>	<u>40,766,836</u>	<u>803,117</u>
Net Change in Fund Balance	(746,201)	88,683	834,884

The new budget for 2012-2013 represents an increase in total expenditures of 2%. This increase is largely due to an increase in Pennsylvania School Employee Retirement System (PSERS) expenditures. The 2012-2013 budgeted revenue does not contain a real estate tax increase.

There are no changes to economic factors that are expected to have a significant impact on our 2012-2013 budget.

Contacting the School District Financial Management

The School District's financial report is intended to provide the readers with a general overview of the School District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager, Mike Frenz of **Susquehanna Township School District**, 2579 Interstate Drive, Harrisburg, PA 17110, (717) 657-5100.

Susquehanna Township School District

STATEMENT of NET ASSETS

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,702,903	\$ 143,576	\$ 9,846,479
Investments	6,723,926	-0-	6,723,926
Taxes Receivable, net	4,464,563	-0-	4,464,563
Due from Other Governments	455,674	16,196	471,870
Other Receivables	29,620	-0-	29,620
Inventories	-0-	26,149	26,149
Total Current Assets	21,376,686	185,921	21,562,607
Noncurrent Assets			
Land	215,004	-0-	215,004
Land Improvements, net of Accumulated Depreciation	1,805,347	-0-	1,805,347
Building and Building Improvements, net of Accumulated Depreciation	32,590,847	-0-	32,590,847
Furniture and Equipment, net of Accumulated Depreciation	1,255,376	112,181	1,367,557
Library Books, net of Accumulated Depreciation	96,342	-0-	96,342
Construction in Progress	1,157,013	-0-	1,157,013
Deferred Bond Issue Costs, net of Accumulated Amortization	238,579	-0-	238,579
Total Noncurrent Assets	37,358,508	112,181	37,470,689
TOTAL ASSETS	\$ 58,735,194	\$ 298,102	\$ 59,033,296

See notes to financial statements.

Susquehanna Township School District

STATEMENT of NET ASSETS

(Continued)

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 874,317	\$ 1,070	\$ 875,387
Current Portion of Long-Term Debt	1,780,000	-0-	1,780,000
Accrued Salaries and Benefits	2,849,037	-0-	2,849,037
Compensated Absences Due			
Within One Year	147,528	-0-	147,528
Accrued Interest on Long-Term Debt	162,804	-0-	162,804
Deferred Revenues	17,398	50,686	68,084
Total Current Liabilities	5,831,084	51,756	5,882,840
Noncurrent Liabilities			
Bonds Payable,			
net of Amortized Discount	31,268,739	-0-	31,268,739
Long-Term Portion of			
Compensated Absences	587,235	8,014	595,249
Accrued Retirement Bonus	286,600	-0-	286,600
Accrued Postemployment Benefits	329,087	-0-	329,087
Total Noncurrent Liabilities	32,471,661	8,014	32,479,675
TOTAL LIABILITIES	38,302,745	59,770	38,362,515
NET ASSETS			
Invested in Capital Assets, net of Related Debt	5,517,718	112,181	5,629,899
Restricted	1,446,528	-0-	1,446,528
Unrestricted	13,468,203	126,151	13,594,354
TOTAL NET ASSETS	\$ 20,432,449	\$ 238,332	\$ 20,670,781

See notes to financial statements.

Susquehanna Township School District

STATEMENT of ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) 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	\$ 26,202,523	\$ 27,852	\$ 3,675,759	\$ -0-	\$ (22,498,912)	\$ -0-	\$ (22,498,912)
Instructional Student Support	2,630,086	-0-	653,603	-0-	(1,976,483)	-0-	(1,976,483)
Administrative and Financial Support Services	3,757,974	-0-	164,018	-0-	(3,593,956)	-0-	(3,593,956)
Operation and Maintenance of Plant Services	3,470,113	51,037	89,464	-0-	(3,329,612)	-0-	(3,329,612)
Pupil Transportation	1,943,547	-0-	746,325	-0-	(1,197,222)	-0-	(1,197,222)
Student Activities	813,125	47,248	29,821	-0-	(736,056)	-0-	(736,056)
Community Services	5,041	-0-	-0-	-0-	(5,041)	-0-	(5,041)
Interest on Long-term Debt	1,573,670	-0-	-0-	62,670	(1,511,000)	-0-	(1,511,000)
Total Governmental Activities	40,396,079	126,137	5,358,990	62,670	(34,848,282)	-0-	(34,848,282)
Business-Type Activities:							
Food Services	<u>1,453,846</u>	<u>765,167</u>	<u>642,650</u>	<u>-0-</u>	<u>-0-</u>	<u>(46,029)</u>	<u>(46,029)</u>
Total Primary Government	<u>\$ 41,849,925</u>	<u>\$ 891,304</u>	<u>\$ 6,001,640</u>	<u>\$ 62,670</u>	<u>(34,848,282)</u>	<u>(46,029)</u>	<u>(34,894,311)</u>
General Revenues and Transfers:							
Taxes:							
Property Taxes, Levied for General Purposes, net					26,421,483	-0-	26,421,483
Public Utility Realty, Earned Income, Occupation, and Per Capita Taxes Levied for General Purposes, net					6,150,871	-0-	6,150,871
Unrestricted Grants and Subsidies					3,317,337	-0-	3,317,337
Unrestricted Investment Earnings					62,439	47	62,486
Miscellaneous Income					105,646	-0-	105,646
Transfers					(48,758)	48,758	-0-
Total General Revenues and Transfers					<u>36,009,018</u>	<u>48,805</u>	<u>36,057,823</u>
CHANGES in NET ASSETS					1,160,736	2,776	1,163,512
NET ASSETS							
Beginning					<u>19,271,713</u>	<u>235,556</u>	<u>19,507,269</u>
Ending					<u>\$ 20,432,449</u>	<u>\$ 238,332</u>	<u>\$ 20,670,781</u>

See notes to financial statements.

Susquehanna Township School District

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	Major Funds		Total Governmental Funds
	General Fund	Capital Project	
ASSETS			
Cash and Cash Equivalents	\$ 9,702,903	\$ -0-	\$ 9,702,903
Investments	5,077,398	1,646,528	6,723,926
Taxes Receivable, net	4,464,563	-0-	4,464,563
Due From Other Funds	25,501	-0-	25,501
Due From Other Governments	455,674	-0-	455,674
Other Receivables	4,119	-0-	4,119
TOTAL ASSETS	<u>19,730,158</u>	<u>1,646,528</u>	<u>21,376,686</u>
 LIABILITIES and FUND BALANCES			
LIABILITIES			
Accounts Payable	674,317	200,000	874,317
Accrued Salaries and Benefits	2,849,037	-0-	2,849,037
Deferred Revenues	3,377,023	-0-	3,377,023
TOTAL LIABILITIES	<u>6,900,377</u>	<u>200,000</u>	<u>7,100,377</u>
 FUND BALANCES			
Assigned	9,729,781	1,446,528	11,176,309
Unassigned	3,100,000	-0-	3,100,000
TOTAL FUND BALANCES	<u>12,829,781</u>	<u>1,446,528</u>	<u>14,276,309</u>
 TOTAL LIABILITIES and FUND BALANCES	 <u>\$ 19,730,158</u>	 <u>\$ 1,646,528</u>	 <u>\$ 21,376,686</u>

See notes to financial statements.

Susquehanna Township School District
 RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
 to the STATEMENT of NET ASSETS
 June 30, 2012

Total Fund Balances - Governmental Funds \$ 14,276,309

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$56,622,170 and the accumulated depreciation is \$16,502,241. 37,119,929

Property taxes and personal taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 3,359,625

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	(33,170,000)
Accrued Interest on Long-Term Debt	(162,804)
Bond Issue Costs, net of Amortization	238,579
Bond Discount, net of Amortization	60,827
Loss on Bond Refunding, net of Amortization	60,434
Compensated Absences	(734,763)
Accrued Retirement Bonuses	(286,600)
Accrued Postemployment Benefits	<u>(329,087)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 20,432,449

See notes to financial statements.

Susquehanna Township School District

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -

GOVERNMENTAL FUNDS

Year Ended June 30, 2012

	Major Funds			Total Governmental Funds
	General Fund	Capital Project	Debt Service Fund	
REVENUES				
Local Sources:				
Real Estate Taxes	\$ 25,775,294	\$ -0-	\$ -0-	\$ 25,775,294
Other Taxes	6,769,132	-0-	-0-	6,769,132
Investment Earnings	58,426	4,013	-0-	62,439
Other Revenue	<u>739,825</u>	<u>38,720</u>	<u>-0-</u>	<u>778,545</u>
Total Local Sources	33,342,677	42,733	-0-	33,385,410
State Sources	7,726,342	-0-	-0-	7,726,342
Federal Sources	<u>465,893</u>	<u>-0-</u>	<u>-0-</u>	<u>465,893</u>
Total Revenues	<u>41,534,912</u>	<u>42,733</u>	<u>-0-</u>	<u>41,577,645</u>
EXPENDITURES				
Instructional Services	25,075,332	-0-	-0-	25,075,332
Support Services	11,331,461	-0-	-0-	11,331,461
Noninstructional Services	790,802	-0-	-0-	790,802
Capital Outlay	-0-	1,439,712	-0-	1,439,712
Debt Service	<u>224,842</u>	<u>-0-</u>	<u>2,904,995</u>	<u>3,129,837</u>
Total Expenditures	<u>37,422,437</u>	<u>1,439,712</u>	<u>2,904,995</u>	<u>41,767,144</u>
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	4,112,475	(1,396,979)	(2,904,995)	(189,499)
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	<u>(2,901,154)</u>	<u>(48,758)</u>	<u>2,901,154</u>	<u>(48,758)</u>
Net Other Financing Sources (Uses)	<u>(2,901,154)</u>	<u>(48,758)</u>	<u>2,901,154</u>	<u>(48,758)</u>
NET CHANGES in FUND BALANCES	1,211,321	(1,445,737)	(3,841)	(238,257)
FUND BALANCES				
Beginning	<u>11,618,460</u>	<u>2,892,265</u>	<u>3,841</u>	<u>14,514,566</u>
Ending	<u>\$ 12,829,781</u>	<u>\$ 1,446,528</u>	<u>\$ -0-</u>	<u>\$ 14,276,309</u>

See notes to financial statements.

Susquehanna Township School District

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES Year Ended June 30, 2012

Net Changes in Fund Balances - Total Governmental funds \$ (238,257)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:

Depreciation Expense	(1,570,883)	
Capital Outlays	<u>1,421,083</u>	(149,800)

Because some taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year:

Real Estate Taxes	235,133	
Personal Taxes	<u>(207,205)</u>	27,928

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

(49,832)

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

1,610,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.

\$ (4,001)

See notes to financial statements.

Susquehanna Township School District
RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of
REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES
to the STATEMENT of ACTIVITIES
(Continued)
Year Ended June 30, 2012

In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

\$ 16,791

The accrued postemployment benefit is recorded as a liability in the government-wide financial statements but not in the fund financial statements. This amount represents the change in the accrued postemployment benefit for the year.

(89,493)

In the statement of activities, certain operating expenses (e.g., supplemental pension obligations) 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.

37,400

CHANGES in NET ASSETS of GOVERNMENTAL ACTIVITIES

\$ 1,160,736

See notes to financial statements.

Susquehanna Township School District

STATEMENT of NET ASSETS -

PROPRIETARY FUNDS

June 30, 2012

Enterprise Funds Food Service

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 143,576
Due from Other Governments	16,196
Inventories	<u>26,149</u>
Total Current Assets	185,921

Noncurrent Assets

Furniture and Equipment, net of Accumulated Depreciation	<u>112,181</u>
TOTAL ASSETS	<u>298,102</u>

LIABILITIES

Current Liabilities

Accounts Payable	1,070
Deferred Revenue	<u>50,686</u>
Total Current Liabilities	51,756

Noncurrent Liabilities

Compensated Absences	<u>8,014</u>
TOTAL LIABILITIES	<u>59,770</u>

NET ASSETS

Invested in Capital Assets, net of Related Debt	112,181
Unrestricted	<u>126,151</u>
TOTAL NET ASSETS	<u>\$ 238,332</u>

See notes to financial statements.

Susquehanna Township School District

STATEMENT of REVENUES, EXPENSES, and CHANGES in FUND NET ASSETS -

PROPRIETARY FUNDS

Year Ended June 30, 2012

	Enterprise Funds Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 765,167
Total Operating Revenues	765,167
OPERATING EXPENSES	
Salaries	472,971
Employee Benefits	129,200
Purchased Professional and Technical Services	13,121
Utilities	2,145
Repairs and Maintenance	10,276
Food and Milk	718,711
Other Supplies	98,723
Depreciation	8,699
Total Operating Expenses	1,453,846
OPERATING LOSS	(688,679)
NONOPERATING REVENUES	
Investment Earnings	47
State Sources	49,678
Federal Sources	592,972
Total Nonoperating Revenues	642,697
INCOME BEFORE CONTRIBUTIONS and TRANSFERS	(45,982)
TRANSFERS IN	48,758
CHANGES in NET ASSETS	2,776
NET ASSETS	
Beginning	235,556
Ending	\$ 238,332

See notes to financial statements.

Susquehanna Township School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

Year Ended June 30, 2012

Enterprise Funds Food Service

CASH FLOWS from OPERATING ACTIVITIES

Cash Received from Users	\$ 782,802
Cash Payments to Employees for Services	(729,122)
Cash Payments to Suppliers for Goods and Services	<u>(765,301)</u>
Net Cash Used by Operating Activities	(711,621)

CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES

State Sources	49,678
Federal Sources	<u>529,567</u>
Net Cash Provided by Noncapital Financing Activities	579,245

CASH FLOWS from CAPITAL FINANCING ACTIVITIES

Purchase of Equipment	(48,758)
Receipts to Other Funds	<u>48,758</u>
Net Cash Provided by Capital Financing Activities	-0-

CASH FLOWS from INVESTING ACTIVITIES

Investment Earnings	<u>47</u>
---------------------	-----------

INCREASE in CASH and CASH EQUIVALENTS **(132,329)**

CASH and CASH EQUIVALENTS

Beginning of Year	<u>275,905</u>
End of Year	<u>\$ 143,576</u>

See notes to financial statements.

Susquehanna Township School District

STATEMENT of CASH FLOWS -

PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2012

**Enterprise Funds
Food Service**

**RECONCILIATION of OPERATING LOSS to NET
CASH PROVIDED by OPERATING ACTIVITIES**

Operating Loss **\$ (688,679)**

**ADJUSTMENTS to RECONCILE OPERATING LOSS
to NET CASH PROVIDED by OPERATING ACTIVITIES**

Depreciation	8,699
Donated Commodities Used	63,405
Increase in Other Accounts Receivable	(16,196)
Decrease in Inventory	12,970
Decrease in Prepaid Expenses	1,300
Decrease in Accrued Salaries and Benefits	(126,951)
Increase in Deferred Revenue	33,831
Total Adjustments	<u>(22,942)</u>

Net Cash Used by Operating Activities **\$ (711,621)**

See notes to financial statements.

Susquehanna Township School District

STATEMENT of NET ASSETS -

FIDUCIARY FUNDS

June 30, 2012

	Private Purpose Trust	Payroll Fund	Agency Fund
ASSETS			
Cash and Cash Equivalents	\$ 170,146	\$ 232,384	\$ 154,886
Other Receivables	<u>8,969</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS	<u>179,115</u>	<u>232,384</u>	<u>154,886</u>
LIABILITIES			
Accounts Payable	-0-	206,883	-0-
Due to Other Funds	-0-	25,501	-0-
Other Current Liabilities	<u>-0-</u>	<u>-0-</u>	<u>154,886</u>
TOTAL LIABILITIES	<u>-0-</u>	<u>232,384</u>	<u>154,886</u>
NET ASSETS			
Restricted for Scholarships	<u>\$ 179,115</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

Susquehanna Township School District
 STATEMENT of CHANGES in FIDUCIARY NET ASSETS -
 FIDUCIARY FUNDS
 Year Ended June 30, 2012

	Private Purpose Trust
ADDITIONS	
Investment Earnings	\$ 173
Gifts and Contributions	<u>2,095</u>
Total Additions	2,268
DEDUCTIONS	
Scholarships Awarded	<u>3,915</u>
Total Deductions	<u>3,915</u>
CHANGES in NET ASSETS	(1,647)
NET ASSETS	
Beginning	<u>180,762</u>
Ending	<u>\$ 179,115</u>

See notes to financial statements.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Susquehanna Township School District, located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through twelfth to students living in the Dauphin County municipality of Susquehanna Township. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and special needs children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of three elementary schools, one middle school, and one high school, serving approximately 3,000 students.

The accounting policies of the School District conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity*, the criteria used by the School District to evaluate the possible inclusion of related entities (authorities, boards, councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if School District officials appoint a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the School District as defined below.

Impose its Will - If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - If the School District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations which are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

Based on the foregoing criteria, no additional entities are included in the accompanying general purpose financial statements.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Ventures

Dauphin County Technical School

The School District is one of six member school districts of the Dauphin County Technical School (DCTS). DCTS provides vocational-technical training and education to participating students of the member districts. DCTS is controlled and governed by the Dauphin County Area Vocational-Technical School Joint Board (Vo-Tech Board) which is composed of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of DCTS. The DCTS is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for DCTS fluctuates, based upon the percentage of enrollment of each member school district. The School District's financial obligation to DCTS for the year ended June 30, 2012, was approximately \$1,104,661. In 2007, the DCTS entered into an agreement with the member school districts and the Vo-Tech Board to construct improvements to the School's premises and facilities. The School District has a financial responsibility to the DCTS for a portion of the debt obligation relating to these improvements. The balance of the School District's share of this obligation at June 30, 2012, was \$4,405,922. The School District's lease payments to the DCTS relating to this obligation totaled \$231,618 for the year ended June 30, 2012. Complete financial statements for DCTS can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Dauphin County Area Vocational-Technical School Authority

The School District is also a member of the Dauphin County Area Vocational-Technical School Authority (Authority). In 1983, the Authority entered into an agreement with the member school districts and the Vo-Tech Board to acquire land and construct buildings to provide the facilities for the operation of DCTS. Complete financial statements for the Authority can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Capital Area Intermediate Unit (CAIU)

The CAIU Board of Directors consists of members from the IU's constituent school districts. The CAIU Board members are school district board members who are elected by the public and are appointed to the CAIU Board by the member school district's board of directors. The CAIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. The School District contracts with the CAIU for special education services for School District students. The amount paid for these services in the year ended June 30, 2012, was approximately \$854,567. Complete financial information for CAIU can be obtained from the Administrative Office at 55 Miller Street, P.O. Box 489, Summerdale, PA 17093.

Basis of Presentation - Fund Accounting

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

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The School District reports the following major governmental funds:

General Fund - The general fund is the principal operating fund of the School District. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund - This fund is used to account for financial resources related to fixed asset acquisitions, construction, and improvements.

The School District reports the following nonmajor governmental fund:

Debt Service Fund - This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The School District reports the following proprietary fund:

Food Service Fund - This fund accounts for the revenues, food purchases, and other costs and expenses of providing meals to students during the school year.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The agency funds are used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. These funds include the student activities and payroll fund.

Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service and compensated absence payments which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2012, which are not intended to finance fiscal 2012 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the School District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the School District's food service fund and catering fund are charges to students and staff for food. Operating expenses include the costs to provide food. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

When amounts are available in multiple fund balance classifications, it is the School District's policy to use funds in the following order: restricted, committed, assigned, and unassigned.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand amounts in demand and interest-bearing bank deposits.

Investments

Investments are recorded at fair value.

Taxes Receivable and Deferred Tax Revenues

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred tax revenues.

Inventories

There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2012. Any unused commodities donated by the federal government at June 30, 2012, were reported as deferred revenue since title does not pass to the School District until the commodities are used.

Capital Assets and Depreciation

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The School District generally capitalizes assets with a cost of \$5,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

Buildings	50 Years
Building Improvements	25 Years
Land Improvements	20 Years
Furniture and Equipment	5 - 20 Years
Vehicles	5 - 10 Years
Library Books	10 Years

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental 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.

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 financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

The School District accrues unused sick leave, personal days, and vacation as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy.

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and Medicare taxes.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. As of June 30, 2012, the School District had no encumbrances.

Pension Plan

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple employer defined benefit pension plan. The School District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The School District made all required contributions for the year ended June 30, 2012, and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

Interfund Activity

Exchange transactions between governmental funds are eliminated on the government-wide statements.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activity (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Classification

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the school board. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the school board, superintendent, or business manager.

In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose.

The School District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The School District considers committed and assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Estimates

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

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

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 or 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 approved collateral as provided by law is pledged by the depository.

The deposit and investment policy of the School District adheres to state statutes. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Cash and Cash Equivalents - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk, although the public school code requires that all deposits of the School District which are not insured are collateralized by the depository institution. As of June 30, 2012, \$10,207,149 of the School District's bank balance of \$10,817,185 as exposed to custodial credit risk as:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>10,207,149</u>
	10,207,149

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Reconciliation of Cash and Cash Equivalents to the Financial Statements

Uninsured Amount Above	10,207,149
Insured Amount	<u>610,036</u>
Bank Balance	10,817,185
Outstanding Checks	<u>(514,187)</u>
Carrying Amount - Bank Balance	10,302,998
PLGIT Shown as Cash and Cash Equivalents	100,597
Petty Cash	<u>300</u>
Total Cash and Cash Equivalents Per Financial Statements	10,403,895

Investments

The School District invests in the Pennsylvania Local Government Investment Trust. The Pennsylvania Local Government Investment Trust (PLGIT) insures that it will not place deposits with any single issuing institution if the largest participants pro rata share of such deposits exceeds \$250,000, unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. PLGIT funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. The fair value of the School District's position in these investment pools is equivalent to the value of the pool shares. The National Association of Securities Dealers acts as the formal external regulatory oversight for the investment pools.

As of June 30, 2012, the School District had the following investments:

Investments	Fair Value
PA Local Government Investment Trust	100,597
PA School District Liquid Asset Fund	<u>6,723,926</u>
	6,824,523
PLGIT Shown as Cash and Cash Equivalents	<u>100,597</u>
Total Investments Per Financial Statements	6,723,926

Interest Rate Risk

The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The School District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2012, the School District investments were rated as:

Investments	Standard & Poor's
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. Investments that exceed 5% of the reporting unit's total investments, excluding federal government secured investments are as follows:

Governmental Activities:	
PA School District Liquid Asset Fund	100%
General Fund:	
PA School District Liquid Asset Fund	100%
Capital Reserve Fund:	
PA School District Liquid Asset Fund	100%
Business-Type Activities:	
PA Local Government Investment Trust	100%

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 School District has no investment subject to custodial credit risk.

NOTE 3 - REAL ESTATE TAXES

Based upon assessments provided by Dauphin County, the elected tax collector bills and collects property taxes and remits them to the School District. The School District tax rate for the year ended June 30, 2012, was 16.43 mills (\$16.43 per \$1,000 of assessed valuations) as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2012, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Dauphin County Tax Claim Bureau)

NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES

The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes. A portion of the receivable amount which was measurable and available within sixty days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2012, are as follows:

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES (Continued)

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Tax Revenue Recognized	Deferred Taxes
Real Estate Taxes	2,025,154	-0-	426,707	1,598,447
Per Capita Taxes	89,056	22,969	-0-	66,087
Occupation Taxes	2,230,730	535,639	-0-	1,695,091
Realty Transfer Taxes	144,582	-0-	144,582	-0-
Earned Income Taxes	<u>533,649</u>	<u>-0-</u>	<u>533,649</u>	<u>-0-</u>
	5,023,171	558,608	1,104,938	3,359,625

NOTE 5 - INTERFUND ACCOUNTS

Individual fund receivable and payable balances at June 30, 2012, are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	25,501	-0-
Payroll Fund	<u>-0-</u>	<u>25,501</u>
	25,501	25,501

A balance of \$25,501 is due to the general fund from the payroll fund for payroll expenses.

Interfund transfers for the year ended June 30, 2012, are as follows:

Fund	Transfers In	Transfers Out
General Fund	-0-	2,901,154
Capital Projects Fund	-0-	48,758
Debt Service Fund	2,901,154	-0-
Food Service Fund	<u>48,758</u>	<u>-0-</u>
	2,949,912	2,949,912

Transfers are made from the general fund to the debt service fund to fund current amounts due. Transfers were made to the food service fund from the capital projects fund for various capital expenses.

NOTE 6 - DUE from OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2012, the following amounts are due from other governmental units to the general fund:

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - DUE from OTHER GOVERNMENTS (Continued)

Federal Grants	18,704
State Retirement Subsidy	292,310
State FICA Subsidy	81,802
EMST and Personal Taxes	<u>62,858</u>
	455,674

NOTE 7 - CHANGES in CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Historical Cost:				
Capital Assets not Being Depreciated:				
Land	215,004	-0-	-0-	215,004
Capital Assets Being Depreciated:				
Land Improvements	2,951,658	170,525	-0-	3,122,183
Building and Building Improvements	45,441,764	26,635	-0-	45,468,399
Furniture and Equipment	3,401,989	66,911	1,300	3,467,600
Library Books	<u>324,343</u>	<u>-0-</u>	<u>132,372</u>	<u>191,971</u>
Total Cost	52,119,754	264,071	133,672	52,250,153
Accumulated Depreciation:				
Land Improvements	1,203,072	113,764	-0-	1,316,836
Building and Building Improvements	11,690,780	1,186,772	-0-	12,877,552
Furniture and Equipment	1,962,374	251,150	1,300	2,212,224
Library Books	<u>208,804</u>	<u>19,197</u>	<u>132,372</u>	<u>95,629</u>
Total Accumulated Depreciation	15,065,030	1,570,883	133,672	16,502,241
Net Capital Assets Being Depreciated	37,054,724	(1,306,812)	-0-	35,747,912
Net Capital Assets	37,269,728	(1,306,812)	-0-	35,962,916
Construction in Progress	-0-	1,157,013	-0-	1,157,013

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Historical Cost:				
Capital Assets Being Depreciated:				
Equipment	634,450	48,758	-0-	683,208
Accumulated Depreciation:				
Equipment	<u>562,328</u>	<u>8,699</u>	<u>-0-</u>	<u>571,027</u>
Net Capital Assets	72,122	40,059	-0-	112,181

Depreciation expenses were charged to governmental functions as follows:

Instruction	1,088,345
Instructional Student Support	87,119
Administrative and Financial Support Services	127,338
Operation and Maintenance of Plant Services	152,648
Pupil Transportation	82,425
Student Activities	<u>33,008</u>
	1,570,883

NOTE 8 - ACCRUED SALARIES and BENEFITS

At June 30, 2012, the School District was liable for \$2,108,441 of payroll, which is payable during July and August 2012, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2012, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and bonuses.

The School District was also liable for the following benefits on payroll paid prior to or accrued as of June 30, 2012:

Retirement	584,954
Social Security	<u>155,642</u>
	740,596

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - DEFERRED REVENUES

Deferred revenues consisted of the following at June 30, 2012:

	General Fund	Enterprise Fund	Total
Deferred Taxes	3,359,625	-0-	3,359,625
Unearned Grant Revenue	17,398	-0-	17,398
School Lunch Advances	-0-	31,928	31,928
Prepaid Lunch Sales	-0-	<u>18,758</u>	<u>18,758</u>
	3,377,023	50,686	3,427,709

NOTE 10 - LONG-TERM DEBT

General Obligation Debt

The School District issues general obligation bonds to provide funds for major capital improvements. These bonds are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2012, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2012
Series of 2004 Bonds	May 15, 2021	3.375% - 4.30%	6,775,000
Series of 2006 Bonds	May 15, 2025	3.55% - 4.05%	9,965,000
Series of 2008 Bonds	November 15, 2017	3.00% - 3.55%	5,515,000
Series of 2009 Bonds	June 1, 2028	3.00% - 5.05%	4,970,000
Series of 2011 Bonds	May 25, 2026	3.00% - 4.00%	<u>5,945,000</u>
			33,170,000

The School District issued Series of 2004 General Obligation Bonds to refund a portion of the School District's outstanding General Obligation Bonds, provide funds for capital expenditures, and to pay the costs and expenses of issuing the bonds. The principal amount of the Series of 2004 outstanding at June 30, 2012, was \$6,775,000 due in various amounts as described in the indenture from November 15, 2011 through May 15, 2021. The interest rate for the Series of 2004 varies from 3.375% at November 15, 2012, to 4.30% at May 15, 2021. These bonds were completely refunded subsequent to June 30, 2012 (Note 22).

On December 1, 2006, the School District issued Series of 2006 General Obligation Bonds of \$9,995,000 to advance refund a portion of the outstanding General Obligation Bonds, Series of 2004 and to pay the costs and expenses of issuing the debt. The principal amount of the Series of 2006 outstanding at June 30, 2012, was \$9,965,000 due in various amounts as described in the indenture from November 15, 2011 through May 15, 2025. The interest rate for the Series of 2006 varies from 3.55% at November 15, 2012, to 4.05% at May 15, 2025. These bonds were completely refunded subsequent to June 30, 2012 (Note 22).

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

On July 15, 2008, the School District issued Series of 2008 General Obligation Bonds of \$9,035,000. The purpose of the issue was to currently refund the outstanding General Obligation Bonds, Series AA of 2001, currently refund the outstanding General Obligation Bonds, Series of 2003, currently refund the outstanding General Obligation Bonds, Series A of 2003, and to pay the costs and expenses of issuing and insuring the bonds. The principal amount of the Series of 2008 outstanding at June 30, 2012, was \$5,515,000 due in various amounts as described in the indenture from November 15, 2011 through November 15, 2017. The interest rate for the Series of 2008 varies from 3.00% at November 15, 2012, to 3.55% at November 15, 2017.

On January 1, 2009, the School District issued Series of 2009 General Obligation Bonds of \$5,755,000. The purpose of the issue was to currently refund the outstanding General Obligation Note, Series of 2006, currently refund the outstanding General Obligation Note, Series of 2007, and to pay the costs and expenses of issuing the bonds. The principal amount of the Series of 2009 outstanding at June 30, 2012, was \$4,970,000 due in various amounts as described in the indenture from December 15, 2011 through June 1, 2028. The interest rate for the Series of 2009 varies from 3.00% at December 15, 2012 to 5.05% at June 1, 2028.

On June 28, 2011, the School District issued Series of 2011 General Obligation Bonds of \$6,030,000. The purpose of the issue was to purchase equipment and improvements previously leased as part of the 2008 operating lease, and to pay the costs and expenses of issuing the bonds. The principal amount of the Series of 2011 outstanding at June 30, 2012, was \$5,945,000 due in various amounts as described in the indenture from November 15, 2011 through May 15, 2026. The interest rate for the Series of 2011 varies from 3.00% at November 15, 2012 to 4.00% at May 15, 2026.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
General Obligation Debt	34,780,000	-0-	1,610,000	33,170,000
Bond Discount	(70,779)	-0-	(9,952)	(60,827)
Bond Refunding	(65,820)	-0-	(5,386)	(60,434)
Accrued Retirement Bonuses	324,000	-0-	37,400	286,600
Estimated Liability for				
Compensated Absences	759,272	-0-	16,495	742,777
Estimated Liability for Other				
Postemployment Benefits	<u>239,594</u>	<u>89,493</u>	<u>-0-</u>	<u>329,087</u>
	35,966,267	89,493	1,648,557	34,407,203

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

The following schedule reveals the annual debt service requirements to maturity for the general obligation debt:

	Series of 2004			Series of 2006	
	Interest Payment	Principal Payment		Interest Payment	Principal Payment
2013	275,007	365,000	2013	397,445	5,000
2014	262,233	380,000	2014	397,265	30,000
2015	248,553	395,000	2015	396,170	40,000
2016	232,753	405,000	2016	394,690	45,000
2017	216,553	425,000	2017	393,003	45,000
2018 - 2021	<u>437,970</u>	<u>4,805,000</u>	2018 - 2021	1,554,123	1,750,000
	1,673,069	6,775,000	2022 - 2026	<u>824,859</u>	<u>8,050,000</u>
				4,357,555	9,965,000

	Series of 2008			Series of 2009	
	Interest Payment	Principal Payment		Interest Payment	Principal Payment
2013	163,363	975,000	2013	225,910	225,000
2014	133,411	1,005,000	2014	218,598	230,000
2015	101,525	1,035,000	2015	210,663	240,000
2016	67,310	1,070,000	2016	201,903	250,000
2017	30,508	1,110,000	2017	192,215	260,000
2018 - 2021	<u>5,680</u>	<u>320,000</u>	2018 - 2021	652,060	1,155,000
	501,797	5,515,000	2022 - 2026	482,788	1,770,000
			2027 - 2031	<u>64,135</u>	<u>840,000</u>
				2,248,272	4,970,000

	Series of 2011	
	Interest Payment	Principal Payment
2013	211,734	210,000
2014	205,434	370,000
2015	194,334	380,000
2016	179,134	395,000
2017	163,334	410,000
2018 - 2021	496,385	1,795,000
2022 - 2026	<u>261,669</u>	<u>2,385,000</u>
	1,712,024	5,945,000

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 10 - LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

Aggregate Debt Service Requirements

	Interest	Principal	Total
2013	1,273,459	1,780,000	3,053,459
2014	1,216,941	2,015,000	3,231,941
2015	1,151,245	2,090,000	3,241,245
2016	1,075,790	2,165,000	3,240,790
2017	995,613	2,250,000	3,245,613
2018 - 2021	3,146,218	9,825,000	12,971,218
2022 - 2026	1,569,316	12,205,000	13,774,316
2027 - 2031	<u>64,135</u>	<u>840,000</u>	<u>904,135</u>
	10,492,717	33,170,000	43,662,717

NOTE 11 - COMPENSATED ABSENCES

A summary of the amount recorded as a liability in the governmental activities and business-type activities for compensated absences is as follows as of June 30, 2012:

	Governmental Activities	Business-Type Activities
Accumulated Sick Leave	586,204	7,719
Accumulated Personal Days	42,965	-0-
Accumulated Vacation	81,528	-0-
Employer Social Security and Medicare on Leave Amounts Above	<u>24,066</u>	<u>295</u>
	734,763	8,014

NOTE 12 - ACCRUED RETIREMENT BONUSES

Under the School District's negotiated agreement with the Susquehanna Township Education Association, professional employees of the School District who become eligible for retirement and elect to retire in that year will receive a retirement payment of \$12,000. A summary of the amount recorded as a liability for these accrued retirement bonuses is as follows for June 30, 2012:

	Governmental Activities
Estimated Accrued Retirement Benefit	276,000
Employer Social Security and Medicare Share on Above	<u>10,600</u>
	286,600

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 12 - ACCRUED RETIREMENT BONUSES (Continued)

The assumption is that employees with twenty or more years of service will be more likely to retire from the School District and be eligible for retirement.

NOTE 13 - POSTEMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES

Description

The School District adheres to the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In addition to the relevant disclosures within this note related to the implementation of GASB Statement No. 45, the financial statements reflect a long-term liability of \$329,087 and related expenses of \$89,493 related to postemployment health care benefits.

The School District maintains a single employer defined benefit plan to provide postretirement health care benefits to School District employees who have retired with 30 years of PSERS service or upon superannuation retirement. Such benefits are available to retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA.

Funding Policy

The School District has elected to finance postemployment benefits on a pay-as-you-go basis. The School District recognizes expenditures for postemployment group insurance when claims are filed with the plan administrator. These financial statements assume that pay-as-you-go funding will continue.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual cost for other postemployment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the School District, an amount actuarially determined in accordance with the parameters of GASB 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 of 30 years. The following illustrates the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation:

Annual Required Contribution	319,097
Interest on OPEB Obligation	10,782
Adjustment to Annual Required Contribution	<u>(46,452)</u>
Annual OPEB Cost	283,427
Contributions Made	<u>(193,934)</u>
Estimated Increase in Net OPEB Obligation	89,493
Net OPEB Obligation - Beginning of Year	<u>239,594</u>
Net OPEB Obligation - End of Year	329,087

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011, and 2010 were as follows:

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - POSTEMPLOYMENT HEALTH CARE BENEFITS and LIABILITIES (Continued)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation-End of Year
6/30/2012	283,427	68%	329,087
6/30/2011	302,003	59%	239,594
6/30/2010	135,312	61%	114,819

Funding Status and Funding Progress

As of March 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$1,316,818, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,316,818. The covered payroll (annual payroll of active employees covered by the plan) equaled \$ 16,497,670, and the ratio of the UAAL to the covered payroll equaled 7.98%.

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 the future employment, mortality, and the health care 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 School District is required to present multiple year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the School District maintains no plan assets, information relative to plan asset required disclosures is not applicable

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the School District and 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 School District and plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated March 1, 2010, the entry age normal cost method was used. Because the School District funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postretirement medical benefits. Actuarial assumptions included an interest rate of 4.5% per annum, medical inflation of 7.5% in 2010 the first year gradually decreasing by 0.5% per year to a rate of 5.5% in 2014, and gradually decreasing to an ultimate rate of 4.2% in 2099 and later.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 14 - OPERATING LEASES

Lease Rental Debt, Series of 2007, was issued by the Dauphin County Area Vocational-Technical School Authority (the Authority) to provide funds to construct improvements and renovations to the technical school. The Dauphin County Area Vocational-Technical School Joint Authority Board and six member school districts have entered into a lease agreement with the Authority and will pay its proportionate share of the lease rentals in order to fund the lease revenue bonds.

Minimum future rental payments under these operating leases having remaining terms in excess of one year as of June 30, 2012, are \$4,405,922 as follows:

2013	231,805
2014	231,817
2015	231,654
2016	231,945
2017	231,999
2018 - 2021	927,443
2022 - 2026	1,159,757
2027 - 2031	<u>1,159,502</u>
	4,405,922

On May 24, 2011, the School District entered into a lease agreement for computer equipment. The lease term is a three year period, beginning July 1, 2011 and ending June 30, 2014. Lease expense was \$227,068 under the existing lease agreement for the year ended June 30, 2012.

Minimum future rental payments under this as of June 30, 2012, are \$457,836 as follows:

2013	228,918
2014	<u>228,918</u>
	457,836

NOTE 15 - RISK MANAGEMENT

The School District maintains insurance contracts to deal with the risk of loss arising from the following events: torts; theft of, damage to, or destruction of assets; business interruptions; errors and omissions; job-related illnesses or injuries to employees; acts of God; and losses resulting from providing medical benefits to employees and their dependents. The contracts also provide employee, treasurer, and employee blanket bonds. During the year ended June 30, 2012, and the two previous fiscal years, no settlements exceeded insurance coverage.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 16 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement 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 health care 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, P.O. Box 125, Harrisburg, PA 17108-0125.

Funding Policy

The contribution policy is set by the Code and requires contributions by active employees and by participating employers. Plan members may belong to two membership classes. Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class TC or 6.50% for Class TD. Members who joined on or after July 11, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class TC or 7.50% for Class TD. Members who joined the plan after June 30, 2001, are automatically in Class TD and are required to contribute 7.50%. Members who joined the Plan after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2012, the rate of employer contribution was 8.65% of covered payroll. The 8.65% rate is comprised of a pension contribution rate of 8.00% for pension benefits and .65% for health insurance premium assistance. The School District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the Income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. **Susquehanna Township School District's** contributions to PSERS for the years ended June 30, 2012, 2011, and 2010, were \$1,621,196, \$1,085,547, and \$855,174, respectively. Those amounts are equal to the required contribution for each year.

NOTE 17 - CONTINGENCIES and COMMITMENTS

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

The School District is involved in various claims and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 17 - CONTINGENCIES and COMMITMENTS (Continued)

Medical Reimbursements

The School District provides a health reimbursement arrangement (HRA) to all eligible employees, which covers medical claims up to \$6,000 per employee and \$12,000 per family. The maximum exposure for HRA claims for the year ended June 30, 2012 was approximately \$3,475,000.

NOTE 18 - RESTRICTED NET ASSETS

Restricted net assets represent portions of fund balances that are legally segregated for a specific future use or are not appropriable for expenditure. At June 30, 2012, the School District has included the following amounts as restricted net assets:

Capital Projects Funds - Restricted for Future Capital Projects	1,446,528
Fiduciary Funds - Restricted for Scholarships	<u>179,115</u>
	1,625,643

NOTE 19 - FUND BALANCE CLASSIFICATIONS

Restricted fund balance represents fund balances that can only be used for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers. At June 30, 2012, the School District had no restricted balance.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2012, the School District has the following restricted balance:

General Fund - Assigned for Future Health Insurance Payments	2,000,000
General Fund - Assigned for Future Capital Projects	1,244,534
General Fund - Assigned for Future PSERS Obligation	<u>6,485,247</u>
	9,729,781
Capital Projects Fund - Restricted for Future Capital Projects	1,446,528

NOTE 20 - DEFEASED DEBT OUTSTANDING

In prior years, the School District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, does not appear as a liability on the statement of net assets. As of June 30, 2012, the total amount of defeased debt outstanding but removed from the statement of net assets amounted to \$9,455,000.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 21 - PENDING CHANGES in ACCOUNTING PRINCIPLES

In June 2011, GASB issued Statement No. 61, *The Financial Reporting Entity*. The objective of this statement is to have financial reporting entity financial statements be more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The provisions of this statement are effective for the School District's 2013 financial statements.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 provides guidance on reporting deferred inflows and outflows of resources which are distinctly different from assets and liabilities. As a result of reporting these additional elements, the residual balances will be considered as net position, rather than net assets. The provisions of this statement are effective for the School District's 2013 financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this statement are effective for the School District's 2013 financial statements.

In March 2012, GASB issued Statement No. 66, *Technical Corrections, an Amendment of GASB Statements No. 10 and 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this statement are effective for the School District's 2014 financial statements.

In June 2012, GASB Issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this statement are effective for the School District's 2015 financial statements.

The effects of implementation of these standards has not yet been determined.

NOTE 22 - SUBSEQUENT EVENTS

On July 23, 2012, the School District issued Series of 2012 General Obligation Bonds of \$9,995,000. The purpose of the issue was to (1) currently refund a portion of the General Obligation Bonds, Series of 2004, (2) currently refund a portion of the General Obligation Bonds, Series of 2006, and (3) to pay the costs and expenses of issuing the bonds. The total expected savings from this issuance is approximately \$1,244,000 and the present value of the savings is approximately \$1,210,000.

Susquehanna Township School District

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 22 - SUBSEQUENT EVENTS (Continued)

On August 28, 2012, the School District issued Series A of 2012 General Obligation Bonds of \$9,995,000. The purpose of the issue was to (1) currently refund the remaining portion of the General Obligation Bonds, Series of 2004, (2) currently refund the remaining portion of the General Obligation Bonds, Series of 2006, and (3) to pay the costs and expenses of issuing the bonds. The total expected savings from this issuance is approximately \$832,000 and the present value of the savings is approximately \$797,000.

Susquehanna Township School District

SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - BUDGET and ACTUAL - GENERAL FUND Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budgetary Basis	Final Budget - Favorable (Nonfavorable)
REVENUES				
Local Sources:				
Real Estate Taxes	\$ 26,471,662	\$ 26,471,662	\$ 25,775,294	\$ (696,368)
Other Taxes	5,535,000	5,535,000	6,769,132	1,234,132
Investment Earnings	75,000	75,000	58,426	(16,574)
Other Revenue	<u>830,000</u>	<u>830,000</u>	<u>739,825</u>	<u>(90,175)</u>
Total Local Sources	32,911,662	32,911,662	33,342,677	431,015
State Sources	7,395,174	7,395,174	7,726,342	331,168
Federal Sources	<u>460,000</u>	<u>460,000</u>	<u>465,893</u>	<u>5,893</u>
Total Revenues	40,766,836	40,766,836	41,534,912	768,076
EXPENDITURES				
Instructional Services:				
Regular Programs	16,103,906	16,109,406	16,595,186	(485,780)
Special Programs	6,322,695	6,322,695	6,051,246	271,449
Vocational Programs	1,623,527	1,623,527	1,338,097	285,430
Other Instructional Programs	875,267	875,267	580,819	294,448
Community College Programs	509,984	509,984	509,984	-0-
Support Services:				
Pupil Personnel	1,311,815	1,311,815	1,233,204	78,611
Instructional Staff Services	661,847	656,347	919,451	(263,104)
Administrative Services	1,862,217	1,862,217	2,373,680	(511,463)
Pupil Health	319,574	319,574	392,571	(72,997)
Business Services	585,096	585,096	649,379	(64,283)
Operation of Plant and Maintenance Services	3,842,090	3,842,090	3,289,463	552,627
Student Transportation Services	1,988,551	1,988,551	1,861,122	127,429
Support Services - Central	572,527	572,527	572,295	232
Other Support Services	40,000	40,000	40,296	(296)
Noninstructional Services:				
Student Activities	866,791	866,791	785,762	81,029
Community Services	5,500	5,500	5,040	460
Debt Service	<u>3,364,133</u>	<u>3,364,133</u>	<u>224,842</u>	<u>3,139,291</u>
Total Expenditures	40,855,520	40,855,520	37,422,437	3,433,083
EXCESS of REVENUES OVER EXPENDITURES	(88,684)	(88,684)	4,112,475	4,201,159
OTHER FINANCING USES				
Interfund Transfers	<u>-0-</u>	<u>-0-</u>	<u>(2,901,154)</u>	<u>(2,901,154)</u>
Net Other Financing Uses	-0-	-0-	(2,901,154)	\$ (2,901,154)
NET CHANGES in FUND BALANCES	\$ (88,684)	\$ (88,684)	1,211,321	
FUND BALANCES				
Beginning			11,618,460	
Ending			<u>\$ 12,829,781</u>	

See auditors' report.

Susquehanna Township School District
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

Susquehanna Township School District follows the following procedures in establishing the budgetary data reflected in the general purpose financial statements for the general fund.

1. Management submits to the School Board a proposed operating budget for adoption ninety days prior to the primary election for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the final budget is legally enacted through passage of a resolution.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the School Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year.
7. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

Susquehanna Township School District
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 Year Ended June 30, 2012

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
U.S. Department of Agriculture									
Passed Through the Pennsylvania									
Department of Education:									
School Breakfast Program (Note 2)	I/F	10.553	N/A	07/01/11 - 06/30/12	N/A	\$ -0-	\$ 97,301	\$ 97,301	\$ -0-
National School Lunch Program (Note 2)	I/F	10.555	N/A	07/01/11 - 06/30/12	N/A	<u>-0-</u>	<u>446,855</u>	<u>446,855</u>	<u>-0-</u>
Total Passed Through the Pennsylvania						-0-	544,156	544,156	-0-
Department of Education									
Passed Through the Pennsylvania									
Department of Agriculture:									
National School Lunch Program (Notes 2 and 3)	I/F	10.555	N/A	07/01/11 - 06/30/12	N/A	<u>-0-</u>	<u>63,405</u>	<u>63,405</u>	<u>-0-</u>
Total U.S. Department of Agriculture						-0-	607,561	607,561	-0-
U.S. Department of Education									
Safe and Drug-Free Schools and Communities - National Programs	D/F	84.184	Q184E090291	08/01/09 - 01/31/11	445,225	-0-	126,981	126,981	-0-
Passed Through the Pennsylvania									
Department of Education:									
Title I Grants to Local Educational Agencies (Note 2)	I/F	84.010	013-120425	09/15/11 - 09/30/12	362,181	-0-	199,623	214,570	14,947
Title I Grants to Local Educational Agencies (Notes 2 and 4)	I/F	84.010	013-110425	11/04/10 - 09/30/11	382,217	110,935	141,886	22,982	(7,969)
Improving Teacher Quality State Grants	I/F	84.367	020-120425	09/15/11 - 09/30/12	65,107	-0-	20,361	2,963	(17,398)
Improving Teacher Quality State Grants (Note 4)	I/F	84.367	020-110425	11/04/10 - 09/30/11	86,051	\$ 7,305	\$ 7,875	\$ -0-	\$ (570)

See independent auditors' report.

Susquehanna Township School District
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2012

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2011	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
U.S. Department of Education (Continued)									
Passed Through the Pennsylvania									
Department of Education: (Continued)									
ARRA - Title I Grants to Local Educational Agencies, Recovery Act (Note 2)	I/F	84.389	127-100425	05/18/09 - 09/30/11	224,589	\$ (8,615)	\$ -0-	\$ 8,615	\$ -0-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Note 2)	I/F	84.394	126-110425	07/01/10 - 06/30/11	409,822	204,911	204,911	0	-0-
Education Jobs Fund	I/F	84.410	140-120425	07/01/11 - 06/30/12	3,757	<u>-0-</u>	<u>-0-</u>	<u>3,757</u>	<u>3,757</u>
Total Passed Through the Pennsylvania Department of Education						314,536	574,656	252,887	(7,233)
Passed Through the Capital Area Intermediate Unit #15:									
Special Education - Grants to States (Note 2)	I/F	84.027	062-120015	07/01/11 - 06/30/12	517,325	-0-	517,325	517,325	-0-
ARRA - Special Education - Grants to States, Recovery Act (Note 2)	I/F	84.391	N/A	02/17/09 - 09/30/11	691,945	<u>12,178</u>	<u>98,203</u>	<u>86,025</u>	<u>-0-</u>
Total Passed Through the Capital Area Intermediate Unit #15						<u>12,178</u>	<u>615,528</u>	<u>603,350</u>	<u>-0-</u>
Total U.S. Department of Education						<u>326,714</u>	<u>1,317,165</u>	<u>983,218</u>	<u>(7,233)</u>
TOTAL EXPENDITURES of FEDERAL AWARDS						<u>\$ 326,714</u>	<u>\$ 1,924,726</u>	<u>\$ 1,590,779</u>	<u>\$ (7,233)</u>

See independent auditors' report.

Susquehanna Township School District
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS
 (Continued)
 Year Ended June 30, 2012

Legend
 D = Direct funding
 I = Indirect funding
 F = Federal share
 CFDA = Catalog of Federal Domestic Assistance

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 2 - CLUSTER IDENTIFICATION

Project Title	Federal CFDA Number	Cluster
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Title I Grants to Local Educational Agencies	84.010	Title I, Part A Cluster
Special Education - Grants to States	84.027	Special Education Cluster (IDEA)
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	Title I, Part A Cluster
ARRA - Special Education - Grants to States, Recovery Act	84.391	Special Education Cluster (IDEA)
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	State Fiscal Stabilization Fund Cluster

NOTE 3 - NATIONAL SCHOOL LUNCH PROGRAM - PASSED THROUGH the PENNSYLVANIA DEPARTMENT OF AGRICULTURE

Per the compliance supplement, the School District has the option to combine the United States Department of Agriculture (USDA) inventory and the School District inventory. The School District has decided to combine the inventories. The revenues and expenditures shown are the amounts of inventory received by the School District.

NOTE 4 - RETURNED MONEY

The amount shown as deferred revenue at June 30, 2012, was returned to the Pennsylvania Department of Education.

See independent auditors' report.

**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 Officers and Members
Susquehanna Township School District
Dauphin County, 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 **Susquehanna Township School District** as of and for the year ended June 30, 2012, which collectively comprise **Susquehanna Township School District's** basic financial statements and have issued our report thereon dated January 10, 2013. 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 **Susquehanna Township School District** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Susquehanna Township 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 **Susquehanna Township School District's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Susquehanna Township School District's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2012-1 and #2012-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Susquehanna Township 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*.

Susquehanna Township School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit **Susquehanna Township School District's** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board Officers and Members, others within the entity, 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.

Trout, Ebersole & Groff, LLP

January 10, 2013
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' 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 Officers and Members
Susquehanna Township School District
Dauphin County, Pennsylvania

Compliance

We have audited **Susquehanna Township 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 **Susquehanna Township School District's** major federal programs for the year ended June 30, 2012. **Susquehanna Township School District's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **Susquehanna Township School District's** management. Our responsibility is to express an opinion on **Susquehanna Township School District's** compliance based on our audit.

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

In our opinion, **Susquehanna Township 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items #2012-3, #2012-4, #2012-5, and #2012-6.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2012-7 to be a material weakness.

Susquehanna Township School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit **Susquehanna Township School District's** responses and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of **Susquehanna Township School District's** major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on **Susquehanna Township School District's** compliance but not to provide an opinion on the effectiveness of **Susquehanna Township School District's** internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Susquehanna Township School District's** compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Trout, Ebersole & Groff, LLP

January 10, 2013
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

Year Ended June 30, 2012

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of **Susquehanna Township School District**.
2. Two material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of **Susquehanna Township School District** were disclosed during the audit.
4. One material weakness relating to the audit of the major federal programs is reported in the Independent Auditors' 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. No significant deficiencies relating to the audit of the major federal programs are reported.
5. The auditors' report on compliance for the major federal award programs for **Susquehanna Township School District** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for **Susquehanna Township School District** are reported in part C of this schedule.
7. The programs tested as major programs are: School Breakfast Program - CFDA #10.553, National School Lunch Program - CFDA #10.555, Title I Grants to Local Educational Agencies - CFDA #84.010, and Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389.
8. The threshold for distinguishing type A and B programs was \$300,000.
9. **Susquehanna Township School District** was not determined to be a low-risk auditee.

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

B. Findings - Financial Statements Audit

Material Weaknesses

#2012-1

Adjusting Journal Entries

The School District has designated an employee responsible to oversee the adjusting cash to accrual journal entries. School District personnel have recorded certain year-end entries; however, there were several adjusting entries that needed to be made for the financial statements to be prepared in conformity with generally accepted accounting principles. Failing to record such entries could result in presenting materially misstated financial statements which in turn could result in filing inaccurate information with governmental regulatory agencies.

The School District has assumed responsibility for and evaluated the adequacy of the adjusting entries and has accepted responsibility for them.

The material audit adjustments that needed to be made to the general fund were state subsidies receivable, taxes receivable and deferred income and fund balance from prior year activity.

The material audit adjustment that needed to be made to the capital projects fund related to fund balance from prior year activity.

The material audit adjustments that needed to be made to the food service fund related to deferred revenue from overbilling the state, writing off old accounts receivable, and transfers of equipment from the capital reserve fund.

The material audit adjustment that needed to be made to the debt service fund related to the fund balance from prior year activity.

Recommendation: We recommend that the School District close the year for all funds so that the net change in fund balance is posted to the fund balance account each year. We also recommend that the School District reconcile all asset and liability accounts on a monthly basis, reverse all prior year accruals, and post all year-end closing adjustments to those asset and liability accounts.

School District Response: District implemented procedures in January 2011 that significantly reduced the amount of entries required subsequent to the start of the audit. The business office will continue to strengthen procedures to make all adjusting entries prior to the start of field work.

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

B. Findings - Financial Statements Audit (Continued)

#2012-2

Preparation of Financial Statements

The School District has designated an employee to be responsible for overseeing the preparation of its financial statements. Management has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. Management has chosen to outsource the preparation of the financial statements to their auditors because they understand that they are not experienced in preparing all of the required financial statements and the notes in conformity with accounting principles generally accepted in the United States of America.

School District Response: Several years ago when GASB 34 was introduced and additional financial statements were required, larger districts added accountants and CPAs to their staff while smaller districts with fewer resources contracted with their accounting firm to draft statements. At this time the district is continuing the practice of hiring a third party to draft its statements.

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

Compliance Finding

#2012-3 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-120425

Criteria: A local educational agency (LEA) receiving financial assistance under this federal program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an LEA makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the LEA must engage in timely and meaningful consultation with private school officials.

Statement of Condition: The School District did not engage in timely consultation with officials from all of the private schools in which students living within the School District's attendance area are enrolled.

Cause and Effect: The School District had not engaged in timely and meaningful consultation for the year ended June 30, 2011, which we identified as an audit finding for the year then ended. When the report was issued, the School District consulted with private school officials for the 2011-2012 school year; however, since the report was issued after the school year started, this consultation was not done timely.

Questioned Costs: None

Recommendation: Procedures should be established to ensure that the School District engages in timely and meaningful consultation with officials from all private schools in which students living within the School District's attendance area are enrolled.

School District Response: As noted in Cause and Effect, district personnel took immediate action when made aware of the deficiency during the audit of 2010-2011 fiscal year, however this was not in enough time to comply with the requirements for 2011-2012. District is now consulting with private schools in a timely manner as required.

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

C. Findings and Questioned Costs - Major Federal Awards Programs Audit (Continued)

#2012-4 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-120425

Criteria: The School District is required to monitor the federal cash receipts and disbursements and return any interest earnings in excess of \$100 on at least a quarterly basis to ensure compliance with cash management guidelines.

Statement of Condition: The School District did not calculate interest on excess funding received from the Pennsylvania Department of Education.

Cause and Effect: The School District received an excess payment from the Pennsylvania Department of Education. The School District was unaware of this excess payment and therefore did not calculate the interest earned on the excess funds.

Questioned Costs: None

Recommendation: Procedures should be established to ensure that interest earned is calculated in the event that excess payments are received from grantor agencies.

School District Response: District does have procedures to monitor return interest earnings in excess of \$100. Using a simple annual percentage rate of 1% it was determined that any quarterly overpayment would need to be in excess of \$119,904 to meet the \$100 minimum threshold for excess interest earnings. Since the overpayment was only \$7,969 the calculation was not warranted as the amount was significantly less than the threshold requirements.

#2012-5 - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389, Grant Number 127-100425

Criteria: The School District is required to file with the Pennsylvania Department of Education a Final Expenditure Report within 30 days of the close of the grant or as soon as funds are liquidated, whichever comes first.

Statement of Condition: The School District did not file the required Final Expenditure Report in a timely manner.

Cause and Effect: The School District did not file its Final Expenditure Report in a timely manner due to internal oversight by School District personnel.

Questioned Costs: None

Recommendation: Procedures should be established to ensure that Final Expenditure Reports are filed timely.

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

C. Findings and Questioned Costs - Major Federal Awards Programs Audit (Continued)

#2012-5 - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389, Grant Number 127-100425 (Continued)

School District Response: The report was required to be filed on October 31, 2012, report was actually filed on November 8, 2012. The delay occurred because of issues raised during the audit of 2010-2011, which did not occur until October 2012. District chose to spend additional time reviewing 2011-2012 information prior to filing to ensure errors noted during audit of 2010-2011 data were not duplicated. District chose to file correct information late rather than submit a report that may contain errors on time.

#2012-6 School Breakfast Program - CFDA #10.553

Criteria: The School District is required to file a monthly claim for reimbursement to the Pennsylvania Department of Education. This reimbursement must report breakfast totals by the regular and severe need categories because these two categories are billed at different reimbursement rates.

Statement of Condition: For seven of the ten months in which reimbursement claims were filed, the School District included in its regular breakfast counts the number of breakfast meals served to children in severe need schools, while also claiming severe need breakfast counts in their own category. Thus, for these months, the School District overstated the total number of breakfast meals served by the severe need breakfast counts.

Cause and Effect: The School District overstated its breakfast meal counts for these months due to School District personnel's reliance on a system report which listed two meal count totals under the "regular" heading. One of these totals included severe need breakfast meals in addition to regular, which was not apparent from the report descriptions.

Questioned Costs: \$29,453

Recommendation: Procedures should be established to ensure that monthly claim reimbursements are reviewed and compared to supporting documentation prior to being filed.

School District Response: Food Service Director will submit monthly claims counts and support data to the business office for review prior to the reports being filed.

Material Weakness

#2012-7 - School Breakfast Program - CFDA #10.553

The School District does not have a procedure in place that requires meal counts and supporting documentation to be reviewed prior to filing the monthly claim for reimbursement. As a result, the error communicated as a compliance finding #2012-6 occurred.

Recommendation: Procedures should be established to ensure that monthly claim reimbursements are reviewed and compared to supporting documentation prior to filing.

Susquehanna Township School District

SCHEDULE of FINDINGS and QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

C. Findings and Questioned Costs - Major Federal Awards Programs Audit (Continued)

Material Weakness (Continued)

#2012-7 - School Breakfast Program - CFDA #10.553 (Continued)

School District Response: Food Service Director will submit monthly claims counts and support data to the business office for review prior to the reports being filed.

Susquehanna Township School District

SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS

Year Ended June 30, 2012

DEPARTMENT OF EDUCATION

#2011-3 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-110425

Statement of Condition: The School District did not engage in timely and meaningful consultation with officials from all of the private schools in which students living within the School District's attendance area are enrolled.

Recommendation: We recommended that procedures should be established to ensure that the School District engages in timely and meaningful consultation with officials from all private schools in which students living within the School District's attendance area are enrolled.

Current Status - The School District did not consult with private school officials on a timely basis, as described in item #2012-3 in the accompanying schedule of findings and questioned costs.

#2011-4 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-110425

Statement of Condition: The School District did not file its consolidated application with the Pennsylvania Department of Education for the 2010-2011 school year in a timely manner due to changes in personnel in charge of the program. As a result, the School District did not receive approval to begin obligating funds until November 4, 2010.

Recommendation: We recommended that procedures should be established to ensure that the School District files its consolidated application with the Pennsylvania Department of Education in a timely manner.

Current Status - The School District filed its consolidated application for the 2011-2012 school year with the Pennsylvania Department of Education in a timely manner.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

2579 INTERSTATE DRIVE

HARRISBURG, PENNSYLVANIA 17110

MIKE FRENTZ
Business Manager

Telephone: (717) 657-5100

January 10, 2013

U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Corrective Action Plan

The Susquehanna Township School District respectfully submits the following corrective action plan for the audit year ending June 30, 2012.

Audit Period:	7/1/11 - 6/30/12
Oversight Agency:	U.S. Department of Education
Independent Public Accounting Firm:	Trout, Ebersole & Groff, LLP, 1705 Oregon Pike, Lancaster, PA 17601

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2011 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule:

Findings - Financial Statement Audit

Material Weaknesses

#2012-1 - Adjusting Journal Entries

The School District has designated an employee responsible to oversee the adjusting cash to accrual journal entries. School District personnel have recorded certain year-end entries; however, there were several adjusting entries that needed to be made for the financial statements to be prepared in conformity with generally accepted accounting principles. Failing to record such entries could result in presenting materially misstated financial statements which in turn could result in filing inaccurate information with governmental regulatory agencies.

The School District has assumed responsibility for and evaluated the adequacy of the adjusting entries and has accepted responsibility for them.

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MIKE FRENTZ
Business Manager

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The material audit adjustments that needed to be made to the general fund were state subsidies receivable, taxes receivable and deferred income and fund balance from prior year activity.

The material audit adjustment that needed to be made to the capital projects fund related to fund balance from prior year activity.

The material audit adjustments that needed to be made to the food service fund related to deferred revenue from overbilling the state, writing off old accounts receivable, and transfers of equipment from the capital reserve fund.

The material audit adjustment that needed to be made to the debt service fund related to the fund balance from prior year activity.

Recommendation: We recommend that the School District close the year for all funds so that the net change in fund balance is posted to the fund balance account each year. We also recommend that the School District reconcile all asset and liability accounts on a monthly basis, reverse all prior year accruals, and post all year-end closing adjustments to those asset and liability accounts.

School District Response: District implemented procedures in January 2011 that significantly reduced the amount of entries required subsequent to the start of the audit. The business office will continue to strengthen procedures to make all adjusting entries prior to the start of field work.

#2012-2 - Preparation of Financial Statements

The School District has designated an employee to be responsible for overseeing the preparation of its financial statements. Management has assumed responsibility for evaluating the adequacy and results of the financial statements and accepted responsibility for them. Management has chosen to outsource the preparation of the financial statements to their auditors because they understand that they are not experienced in preparing all of the required financial statements and the notes in conformity with accounting principles generally accepted in the United States of America.

School District Response: Several years ago when GASB 34 was introduced and additional financial statements were required, larger districts added accountants and CPAs to their staff while smaller districts with fewer resources contracted with their accounting firm to draft statements. At this time the district is continuing the practice of hiring a third party to draft its statements.

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MIKE FRENTZ
Business Manager

Telephone: (717) 657-5100

Findings and Questioned Costs - Major Federal Awards Programs Audit

Compliance Finding

#2012-3 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-120425

Criteria: A local educational agency (LEA) receiving financial assistance under this federal program must provide eligible private school children and their teachers or other educational personnel with equitable services or other benefits under the program. Before an LEA makes any decision that affects the opportunity of eligible private school children, teachers, and other educational personnel to participate, the LEA must engage in timely and meaningful consultation with private school officials.

Statement of Condition: The School District did not engage in timely consultation with officials from all of the private schools in which students living within the School District's attendance area are enrolled.

Cause and Effect: The School District had not engaged in timely and meaningful consultation for the year ended June 30, 2011, which we identified as an audit finding for the year then ended. When the report was issued, the School District consulted with private school officials for the 2011-2012 school year; however, since the report was issued after the school year started, this consultation was not done timely.

Questioned Costs: None

Recommendation: Procedures should be established to ensure that the School District engages in timely and meaningful consultation with officials from all private schools in which students living within the School District's attendance area are enrolled.

School District Response: As noted in Cause and Effect, district personnel took immediate action when made aware of the deficiency during the audit of 2010-2011 fiscal year, however this was not in enough time to comply with the requirements for 2011-2012. District is now consulting with private schools in a timely manner as required.

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2579 INTERSTATE DRIVE

HARRISBURG, PENNSYLVANIA 17110

MIKE FRENTZ
Business Manager

Telephone: (717) 657-5100

#2012-4 - Title I Grants to Local Educational Agencies - CFDA #84.010, Grant Number 013-120425

Criteria: The School District is required to monitor the federal cash receipts and disbursements and return any interest earnings in excess of \$100 on at least a quarterly basis to ensure compliance with cash management guidelines.

Statement of Condition: The School District did not calculate interest on excess funding received from the Pennsylvania Department of Education.

Cause and Effect: The School District received an excess payment from the Pennsylvania Department of Education. The School District was unaware of this excess payment and therefore did not calculate the interest earned on the excess funds.

Questioned Costs: None

Recommendation: Procedures should be established to ensure that interest earned is calculated in the event that excess payments are received from grantor agencies.

School District Response: District does have procedures to monitor return interest earnings in excess of \$100. Using a simple annual percentage rate of 1% it was determined that any quarterly overpayment would need to be in excess of \$119,904 to meet the \$100 minimum threshold for excess interest earnings. Since the overpayment was only \$7,969 the calculation was not warranted as the amount was significantly less than the threshold requirements.

#2012-5 - Title I Grants to Local Educational Agencies, Recovery Act - CFDA #84.389, Grant Number 127-100425

Criteria: The School District is required to file with the Pennsylvania Department of Education a Final Expenditure Report within 30 days of the close of the grant or as soon as funds are liquidated, whichever comes first.

Statement of Condition: The School District did not file the required Final Expenditure Report in a timely manner.

Cause and Effect: The School District did not file its Final Expenditure Report in a timely manner due to internal oversight by School District personnel.

Questioned Costs: None

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

2579 INTERSTATE DRIVE

HARRISBURG, PENNSYLVANIA 17110

MIKE FRENTZ
Business Manager

Telephone: (717) 657-5100

Recommendation: Procedures should be established to ensure that Final Expenditure Reports are filed timely.

School District Response: The report was required to be filed on October 31, 2012, report was actually filed on November 8, 2012. The delay occurred because of issues raised during the audit of 2010-2011, which did not occur until October 2012. District chose to spend additional time reviewing 2011-2012 information prior to filing to ensure errors noted during audit of 2010-2011 data were not duplicated. District chose to file correct information late rather than submit a report that may contain errors on time.

#2012-6 School Breakfast Program - CFDA #10.553

Criteria: The School District is required to file a monthly claim for reimbursement to the Pennsylvania Department of Education. This reimbursement must report breakfast totals by the regular and severe need categories because these two categories are billed at different reimbursement rates.

Statement of Condition: For seven of the ten months in which reimbursement claims were filed, the School District included in its regular breakfast counts the number of breakfast meals served to children in severe need schools, while also claiming severe need breakfast counts in their own category. Thus, for these months, the School District overstated the total number of breakfast meals served by the severe need breakfast counts.

Cause and Effect: The School District overstated its breakfast meal counts for these months due to School District personnel's reliance on a system report which listed two meal count totals under the "regular" heading. One of these totals included severe need breakfast meals in addition to regular, which was not apparent from the report descriptions.

Questioned Costs: \$29,453

Recommendation: Procedures should be established to ensure that monthly claim reimbursements are reviewed and compared to supporting documentation prior to being filed.

School District Response: Food Service Director will submit monthly claims counts and support data to the business office for review prior to the reports being filed.

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2579 INTERSTATE DRIVE

HARRISBURG, PENNSYLVANIA 17110

MIKE FRENTZ
Business Manager

Telephone: (717) 657-5100

Material Weakness

#2012-7 - School Breakfast Program - CFDA #10.553


The School District does not have a procedure in place that requires meal counts and supporting documentation to be reviewed prior to filing the monthly claim for reimbursement. As a result, the error communicated as a compliance finding #2012-6 occurred.

Recommendation: Procedures should be established to ensure that monthly claim reimbursements are reviewed and compared to supporting documentation prior to filing.

School District Response: Food Service Director will submit monthly claims counts and support data to the business office for review prior to the reports being filed.

If the U.S. Department of Education has any questions regarding this plan, please call Mike Frentz at (717) 657-5100.

Sincerely,



Michael Frentz
Business Manager