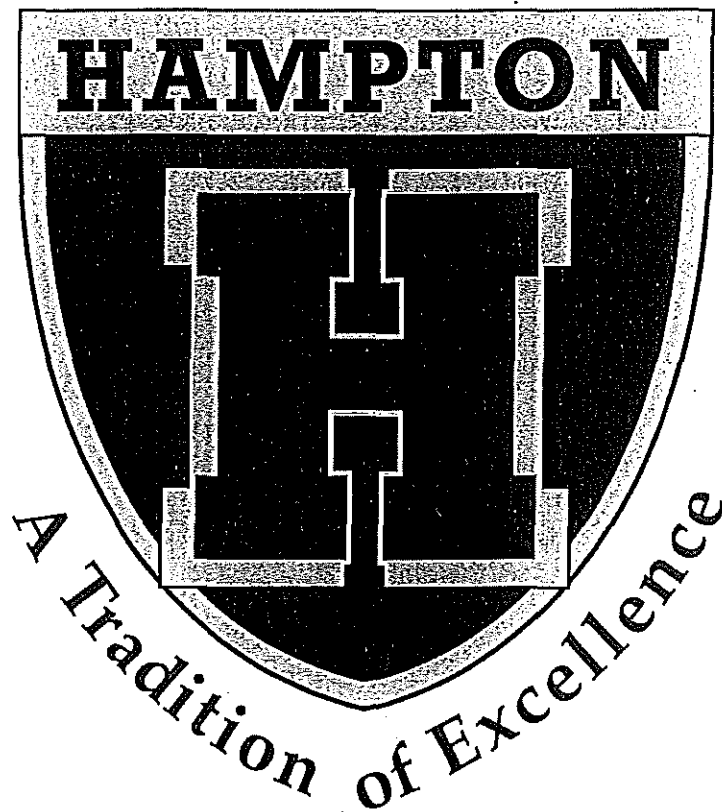


HAMPTON TOWNSHIP SCHOOL DISTRICT

ALLISON PARK, PENNSYLVANIA



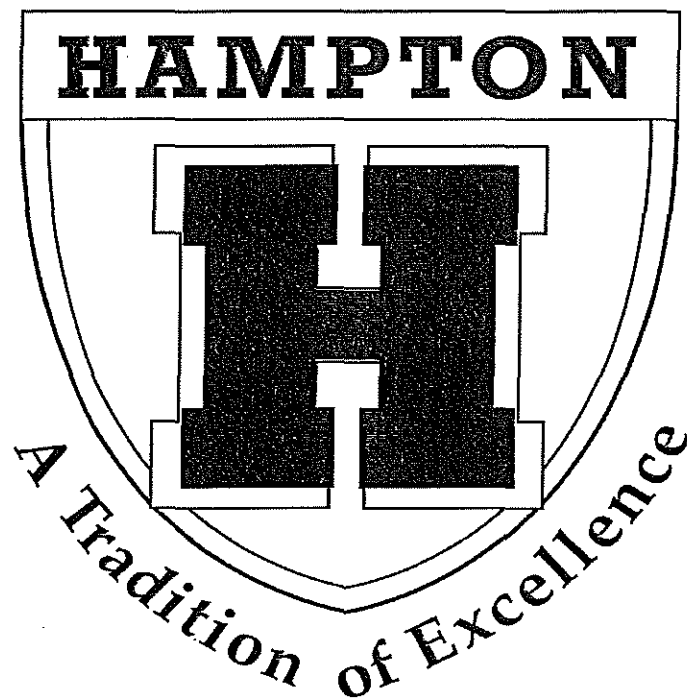
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

HAMPTON TOWNSHIP
SCHOOL DISTRICT
ALLISON PARK, PA

FISCAL YEAR ENDED JUNE 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

HAMPTON TOWNSHIP SCHOOL DISTRICT

Allison Park, Pennsylvania

Fiscal Year Ended June 30, 2013

BOARD OF SCHOOL DIRECTORS

Bryant B. Wesley II, President
Mary Alice Hennessey, Vice President
Robert Shages, Treasurer
Pamela Lamagna, Secretary
Denise Balason
Gail V. Litwiler
Cathy Lueers
Gregory A. Stein
Lawrence Vasko

John C. Hoover, Ph.D., Superintendent of Schools

Report Issued by the Hampton Township School District Business Office

Jeffrey Kline, Director of Administrative Services
Sharon R. McMorrان, Business Manager

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INTRODUCTORY SECTION



December 18, 2013

HAMPTON TOWNSHIP BOARD OF SCHOOL DIRECTORS:

The Hampton Township School District (School District) Administration presents our Comprehensive Annual Financial Report (CAFR) for the School District for the year ended June 30, 2013. Pennsylvania State law requires that every School District publish within six months of the close of each fiscal year a complete set of audited financial statements. Our data is accurately presented in all material respects and is presented in a manner to fairly present the financial position and results of operations of the School District as measured by the financial activity of the various funds. All disclosures necessary to enable a reader to gain a maximum understanding of the School District's finances have been included. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School District. Hosack, Specht, Muetzel and Wood LLP, Certified Public Accountants, have issued an unqualified opinion on the School District's financial statements for the year ended June 30, 2013. Their independent auditor's report is located within this report.

PROFILE OF THE GOVERNMENT

The Hampton Township School District is a suburban public school district located in southwestern Pennsylvania. During the 2012-13 school year, the district educated 3,087 students residing in Hampton Township; a 16 square mile municipality located 15 miles north of Pittsburgh. A nine-member board of school directors governs the School District. The School District educates students in grades kindergarten through twelve and operates five schools - a high school, middle school and three elementary schools. Instructional areas include regular education, special education, vocational education and all necessary support services. Vocational education is provided through a jointure agreement with eight other districts with the Northern Area Special Purpose Schools as described in Note 1, Part A "Joint Venture."

During the 2012-13 school year the district employed 208 teachers, 48 paraprofessionals, 40 maintenance / custodial staff, 29 secretarial staff, 18 administrators, 12 food service staff and 26 other staff members. The District's Mission Statement and Vision as approved in its Pennsylvania Department of Education Comprehensive Plan are as follows:

Mission Statement:

Hampton Township School District works collaboratively with the community in support of every child becoming creative and innovative problem-solvers and communicators. The District maintains high expectations by furthering our tradition of excellence as our students develop the knowledge, character and integrity to impact the world.

Vision Statement:

A culture of high expectations encourages creative and innovative thinking while inspiring students to achieve their personal best.

PROFILE OF THE GOVERNMENT (Continued)

Budget Development

The development of the School District budget is a year round process. The District's fiscal year begins July 1st and the next year's budget planning begins shortly thereafter with a review of the prior year's process and implementation of necessary changes. The bidding process for supplies is initiated in October when prior year bid lists are distributed to the building levels for review and updating. In November, the Superintendent and Director of Administrative Services establish a budget calendar for the upcoming year. After the budget calendar is established, tentative allocations are developed for each of the building level administrator budgets, along with allocations for technology, textbooks and athletics. These allocations are based on a per pupil amount with an additional weighting for the pupils at the secondary level. However, all administrators are required to prepare their budgets utilizing a zero-based budgeting approach. Rationale for all projected expenditures are presented to and reviewed by the Superintendent. In January, the School District Planning Document, a report that details the results of operations for the previous five years and projects the results for the next five, is shared with the board at a public meeting. At the same meeting, the estimated budget (including projected millage requirements) and the allocations are discussed and reviewed. The Board decides in January whether it will seek additional revenue above the State Act 1 Index allowance or whether it will approve a resolution stating that it will not raise taxes above the State Act 1 Index.

Upon completion of all items outlined above, a preliminary budget is generated and reviewed by the Superintendent and administration. After these meetings, adjustments are made if necessary and the preliminary budget is finalized and presented to the Board of School Directors and the public in April. After discussion of the budget in public, any further changes deemed necessary are made and the final budget is considered by the Board of School Directors in June. The budget process will be accelerated by four months in years that the District will need to seek Act 1 exceptions or voter referendum approval for any millage increase that exceeds the State Act 1 Index.

The administration has established procedures to monitor the use of budgeted funds after the board has approved the annual operating budget and authorized the expenditure of funds. The procedures have been categorized as budget responsibility, expenditure controls, budgetary transfers and management reporting. Initially, each administrator is assigned responsibility for spending within his/her area. Expenditure controls are established through a requisition/purchase order system within the School District's financial accounting software. Budgetary transfers are required by each administrator to ensure program budgets are not overspent. Finally, administrators are provided with monthly budget reports from the Business Office to monitor the progress of spending in their area of responsibility.

Internal Controls

Internal controls within the School District are developed by the Business Office administrators to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, as well as to provide reliability of the financial records. These controls and procedures are documented in the Business Office Procedures Manual. Additionally, modifications to internal controls evolve from a variety of other sources, including other School District administrators, the audit professionals and the Board of School Directors. The goal of the School District's internal accounting control system is to adequately safeguard assets and to provide reasonable assurance as to the proper recording and tracking of financial activity. The School District's financial data are subject to a comprehensive audit at the end of each fiscal year by a firm of independent certified public accountants in accordance with U.S. generally accepted governmental auditing standards.

Internal Controls (Continued)

Additionally, the Auditor General of the Commonwealth of Pennsylvania audits school district records as they relate to State subsidy payments and the State laws. Audits are generally completed in two-year increments within two years of the end of a given fiscal year. The Auditor General's audit for the 2004-05 and 2005-06 fiscal years was completed in December 2008. The audit resulted in no recommendations, findings or questioned costs.

The Auditor General completed an audit for the 2006-07 and 2007-08 fiscal years in April 2010. The report was issued in November 2010 and indicated that there were no recommendations, findings or questioned costs. An audit of the 2008-09 and 2009-10 fiscal years was completed in October 2011. The report was issued in February 2012 and indicated that there were no recommendations, findings or questioned costs. Currently, the Auditor General is auditing the 2010-11 and 2011-12 fiscal years. The audit should be concluded by early 2014.

LOCAL ECONOMY

The School District is coterminous with the Township of Hampton, a suburban community located north of the City of Pittsburgh. The School District encompasses 16 square miles and is made up mainly of residential housing, along with light industrial and retail enterprises. Enrollment has decreased from 3,219 students in the 2003-04 year to 3,087 students in the 2012-13 year (a 4.1% decrease.) The decrease in enrollment is similar to other suburban school districts in the area and less than the countywide trend.

Over the last ten fiscal years, the District has increased its real estate tax millage rate from 19.25 mills to 21.35 mills. This is an average annual increase of 1.09% per year; while the metropolitan Pittsburgh CPI has increased an average of 3.43% per year for the same period. The District is proud of the fact that its 10-year increase in tax rates is less than one-third the local rate of inflation.

Hampton's current 2013-14 real estate tax millage rate of 17.59 mills (after the reduction for the 2013 Allegheny County reassessment) is 14.54% lower than the Allegheny County average and only 8 Districts in the County have a lower tax rate; while 33 have higher tax rates. When preparing the annual budget for the District, the School Board and Administration carefully consider the burden imposed on the School District taxpayers along with the expectations of the District's parents and students to continue providing a high quality education.

LONG TERM FINANCIAL PLANNING

Pennsylvania School Employees' Retirement System Contributions

Actuarial projections for employer contributions to the Pennsylvania School Employees' Retirement System predict significant future annual increases. Details of the impact on the School District are included in the "Management Discussion & Analysis Section under "Future Economic Considerations."

Allegheny County Property Assessments

Allegheny County completed a court ordered county-wide reassessment of real property for the 2013 tax year in 2012. The County notified taxing bodies and property owners of the new values in March 2012. The initial result of the new assessments resulted in a collective increase to the assessed value of Hampton Township School District's real estate property of 30.23%. There were numerous tax appeals filed by property owners – some that were resolved before the 2013/14 budget was approved and some that were not resolved before the 2013/14 budget was approved. As of November 2013, there are still 344 tax appeals outstanding with a collective 2013 taxable assessed value of \$165 million. Therefore, there is still uncertainty regarding the final assessment levels. More than 60% of the District's revenues are derived from real estate taxes; therefore the impact of the reassessment and the proper resetting of the real estate tax millage rate are of utmost importance to the District.

LONG TERM FINANCIAL PLANNING (Continued)

State School District Funding - Act 1 of Special Session 2006(The Taxpayer Relief Act) as amended by Act 25 of 2011

Under the Taxpayer Relief Act, through Act 1 of 2006 and Act 25 of 2011, Pennsylvania School Districts became subject to a change in their taxing structure. Details of Act 1 and Act 25 are included in the "Management Discussion & Analysis" Section under "Future Economic Considerations."

District Paid Health Insurance Costs

The increasing cost of health insurance remains a major concern as more resources are allocated to benefit costs. District paid health insurance rates (Keystone Blue Plan) have increased 117% over the past ten fiscal years (an average of 11.7% per year.) These increases and the likelihood of future health insurance increases, have forced the School District to carefully evaluate the cost of health insurance to its employees. These measures have included the commencement of healthcare premium contributions from employees and the forming of wellness committees to reduce healthcare utilization.

Fund Balance

The School District ended the 2012-13 fiscal year with an unassigned fund balance of \$3,579,652. This represents 8.15% of the 2013-14 general fund budget, which exceeds the 8% maximum amount of unassigned fund balance permitted by the Pennsylvania Department of Education for a district requesting to raise its tax rate. The District will be required to utilize the excess portion of its fund balance to balance the budget before it can consider raising the rate of any taxes for the 2014-15 fiscal year.

DISTRICT AWARDS AND ACCOMPLISHMENTS

- *U.S. News and World Report* ranked Hampton High School as the number 18 school in Pennsylvania in its "2013 Best High Schools" report. Hampton High School has ranked in the top 20 in Pennsylvania in all five years that the report has been issued. The methodology used to determine which schools make the list was developed by School Evaluation Services, a K-12 education data research business run by Standard & Poor's. The methodology is a three-step process that analyzes first how schools are educating all of their students, then their minority and disadvantaged students, and finally their college-bound students based on student scores on statewide tests, Advanced Placement tests, and International Baccalaureate tests. The key principles for the methodology are that a great high school must serve all its students well, not just those who are college-bound, and that it must be able to produce measurable academic outcomes to show the school is successfully educating its student body across a range of performance indicators.
- Hampton Township School District once again was ranked in fourth place among 104 regional public school districts and seventh in Pennsylvania, according to the 2013 *Pittsburgh Business Times* rankings. In the seven years that the *Pittsburgh Business Times* has ranked Pennsylvania public schools, Hampton Township School District placed among the top five in western Pennsylvania (out of 104 Districts) and among the top ten in the state (out of 496 Districts). The rankings are based on three years of PSSA test score data.
- The *Pennsylvania Department of Education* has recognized Pennsylvania public schools with Keystone Achievement Awards for achieving Adequate Yearly Progress (AYP) since 2005. Hampton has had all 5 schools recognized for achieving AYP for each of the eight years. Only 2 others Districts in Allegheny County have had all their schools achieve AYP for all eight years.

DISTRICT AWARDS AND ACCOMPLISHMENTS (Continued)

- *Newsweek Magazine*, and its online partner, *The Daily Beast*, ranked Hampton High School at number 662 on its list of the best 1,000 public high schools in the nation in May 2012. Those on the list have “proven to be the most effective in turning out college-ready grads,” according to a release issued by the magazine. The schools making the list have at least 91 percent of their graduates accepted into college, with average AP scores of 3.4 – which is 21 percent above the 2.8 average for public-school students
- The online magazine, *NerdWallet* ranked Allison Park as the ninth best “Town in Pennsylvania for Young Families.” The ranking of the quality of the School District is the most important factor in their rankings. The study referenced the Hampton Township School District’s “Great Schools” organization score of “10” as the primary reason for the town’s high ranking.
- In March 2011, *Standard & Poor’s* assigned the Hampton Township School District a credit rating of “AA-.” This rating reaffirmed the *Standard & Poor’s* upgrade of the District’s credit rating from an “A” rating to an “AA-” rating in April 2009.
- The Hampton Township School District earned the highest rating in Allegheny County in the *Standard & Poor’s* “Return on Spending Index”. The “Return on Spending Index” calculates the ratio of school district spending with student proficiency in math and reading.
- Hampton Township School District earned national recognition by being the first in the USA to be designated by the *Academic Development Institute* as Effective School Communities based on the success of Hampton Elementary Schools' Community Councils.
- Hampton High School Students in the After School Writers Club published their second book “Hampton Veterans Remembered” in 2012. This is the second book published by the Club in five years. The first book “Polish Hill Remembered” was published in 2007
- Mr. Ed McKaveney, the District’s Technology Director received the national “2013 Withrow Chief Technology Officer Award” from the *Consortium for School Networking*.
- Dr. Eric Stennett was named the “2013 Middle Level Principal of the Year” by the *Pennsylvania Association of Elementary and Secondary School Principals*
- The cast, crew and orchestra of the Hampton High School’s 2012 production of “Damn Yankees” received nine nominations and won four awards in the Gene Kelly Awards for Excellence in High School Musical Theatre.
- Hampton High School was awarded the 2011-12 Pennsylvania Interscholastic Athletic Association (PIAA) Sportsmanship Award. The award demonstrates Hampton’s promotion of good sportsmanship in every respect from coaches, athletes, parents and fans. The High School also received this honor in the 2008-09 and 2009-10 years.

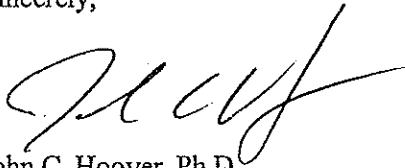
Financial Reporting

The Government Finance Officers Association (GFOA) awards a Certificate of Achievement to school districts that prepare a Comprehensive Annual Financial Report (CAFR) that meets the rigorous standards of the GFOA. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to each of the program's standards. Such reports must satisfy both Generally Accepted Accounting Principals (GAAP) and applicable legal requirements. The School District received the award for its 2011-12 CAFR, which is included in this report. We believe our 2012-13 CAFR meets the Certificate of Achievement Program requirements and are submitting it to the GFOA to determine its eligibility for certification.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was made possible by the efforts of Sharon McMorran, Business Manager and the Business Office staff.

Sincerely,



John C. Hoover, Ph.D.
Superintendent of Schools



Jeffrey Kline
Director of Administrative Services

HAMPTON TOWNSHIP SCHOOL DISTRICT

BOARD OF SCHOOL DIRECTORS

Mr. Bryant B. Wesley II, President

Mrs. Mary Alice Hennessey, Vice President

Mr. Robert Shages, Treasurer

Mrs. Pamela Lamagna, Secretary

Mrs. Denise Balason

Mrs. Gail V. Litwiler

Mrs. Cathy Lueers

Mr. Gregory A. Stein

Mr. Lawrence Vasko

Mr. Patrick J. Clair, Solicitor (Non-Member)

Mrs. Michelle Ambrose, Recording Secretary (Non-Member)

Hosack, Specht, Muetzel and Wood, External Auditor (Non-Member)

CENTRAL OFFICE ADMINISTRATION

John C. Hoover, Ph.D., Superintendent of Schools

Jo Welter Ed.D, Assistant Superintendent of Schools

Mr. Jeffrey Kline, CPA, Director of Administrative Services

Ms. Monique Mawhinney, Director of Student Services

Ms. Laurie Heinricher, Curriculum Coordinator

Ms. Sharon R. McMorran, Business Manager

Mr. Richard L. Farino, Building and Grounds Supervisor

Mr. Edward McKaveney, Technology Coordinator

Hampton Township School District
Administrative Organization

John C. Hoover, Ph.D.
Superintendent of Schools

L. Jo Welter, Ed.D.
Assistant Superintendent

Jeffrey Kline
Director of Administrative Services &
Transportation

Monique Mawhinney, Ed.D.
Director of Student Services

Laurie Heinricher
Curriculum Director

Edward McKaveney
Director of Computing & Tech
Services

Public Relations
Contracted Services

Sharon McMorran
Business Manager

Food Service
Contracted Services

Transportation
Contracted Services

Richard Farino
Supervisor of Bldgs.
& Grounds

Jay Thornton, Ed.D.
School Psychologist

Jeffrey Finch
High School Principal

Eric Stennett, Ed.D.
Middle School Principal

Amy Kem, Ed.D.
Central Principal

Michael Mooney, Ed.D.
Poff Principal

Roberta Good, Ed.D.
Wyland Principal

Jeffrey Kattan
Asst. HS Principal
12-Month

Marguerite Sciulli
Asst. HS Principal
10-Month

William Cardone
Athletic Director

Marlynn Lux
Asst. MS Principal



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**Hampton Township School
District, Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

**FINANCIAL
SECTION**

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

305 MT. LEBANON BOULEVARD, SUITE 301

PITTSBURGH, PENNSYLVANIA 15234-1500

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Independent Auditor's Report

Members of the Board
Hampton Township School District
Allison Park, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hampton Township School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hampton Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Report on the Financial Statements (Cont'd)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hampton Township School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton Township School District's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of Hampton Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hampton Township School District's internal control over financial reporting and compliance.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 18, 2013

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

The discussion and analysis of Hampton Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

General Fund

Preparation and Approval of the 2012/2013 General Fund Budget

The 2012/2013 general fund budget was approved by the Hampton Township School District Board of Directors in June 2012 with revenues of \$42,597,496 and expenditures of \$43,033,566. The School District balanced the shortfall of \$436,070 with the utilization of \$285,070 of unreserved fund balance and \$151,000 of its committed fund balance for the Public School Employees' Retirement System (PSERS) Rate Stabilization Fund. The PSERS Rate Stabilization Fund was established to offset portions of the PSERS contribution increases for future budget years. The 2012/2013 real estate tax millage rate remained unchanged at 21.35 mills.

The final expenditure budget was approved with an increase in expenditures of \$1,468,066, or 3.53% from the 2011/2012 budget. Approximately 53% of the increase in expenditures was due to the increase in the mandated PSERS contributions from the School District. The PSERS contribution rate increased from 8.65% of payroll in the 2011/2012 fiscal year to 12.36% of payroll in the 2012/2013 fiscal year. The revenue budget was approved with an increase of revenues of \$1,099,996, or 2.65% from the 2011/2012 budget.

2012/2013 Actual Financial Results

Actual 2012/2013 general fund revenues were \$42,760,077 and actual expenditures were \$43,057,106, resulting in a deficit of \$297,029, which resulted in an ending fund balance at June 30, 2013 of \$10,690,484, of which \$3,579,652 was unassigned. Below is a summary of individual items that significantly impacted the School District's financial results as compared to the budget during 2012/2013. The actual deficit of \$297,029 was \$139,041 less than the budgeted deficit of \$436,070.

Revenues

School District revenues exceeded the amount budgeted by \$162,581. This is a variance of only 0.38%. The significant expenditure budget variances are outlined below.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Financial Highlights (Cont'd)

General Fund (Cont'd)

Revenues (Cont'd)

- Earned income taxes exceeded the budget amount by \$428,476, or 12.9%. The reason for the increase was due to the introduction of the Statewide Act 32 Earned Income Tax Collection model. Act 32 mandates that all earned income tax is withheld for all employees by their employer. The withheld taxes are remitted to a central tax collector and then distributed to the relevant taxing agency. The increase in earned income tax collections is directly attributable to this new system.
- Delinquent tax collections (both real estate and earned income tax) fell short of the budget by \$369,309, or 30.8%. School District delinquent taxes have decreased over the previous 3 years since peaking at \$1,434,957 in the 2010/2011 fiscal year. The delinquent tax collections have decreased as current real estate and earned income tax collection rates have increased. The Act 32 model as discussed above will greatly diminish delinquent earned income taxes in the future.

Expenditures

School District expenditures (including other financing uses) were over budget by \$23,540. This is a variance of only 0.05%. The significant expenditure budget variances are outlined below.

- The School District transferred \$700,000 to the capital projects fund in January 2013. The transfer was not included in the original budget. The transfer was approved to finance several future capital improvements - including the Wyland Elementary parking lot paving project, the Central Elementary parking lot paving project, Hampton High School swimming pool repairs, and school security upgrades.
- The School District's purchased services and supplies for the operation and maintenance of plant services were under budget by \$207,705. The positive budget variance is primarily due to lower than anticipated utility costs. Electricity costs were under budget by \$77,908, natural gas costs were under budget by \$36,649 and telecommunication costs were under budget by \$14,731. The School District has reduced its utility use and its utility budget over the previous 5 years and always strives to achieve the best utility rates available through cooperative purchasing. The combined budget for electricity, natural gas and telecommunications has been reduced by \$218,000 in the previous 5 budget years and will likely continue to be reduced in the future.
- The School District's salaries and benefits were under budget by \$123,463. This is a variance of only 0.04%. The majority of the positive salary and benefit budget variance was due to unanticipated unpaid leaves by several employees. Employees on unpaid leaves are replaced by long-term substitute instructors at a lower rate of pay. The average differential in pay is approximately \$40,000 per year. The School District does not budget reductions in salaries for unpaid leaves.

**Hampton Township School District
Management's Discussion and Analysis
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Financial Highlights (Cont'd)

Expenditures (Cont'd)

- The School District's purchased services for student transportation were under budget by \$71,161. The School District's public school students attended only 182 days in the 2012/2013 school year (not the scheduled 185 days). The three "missed" days were due to two weather cancellations and one additional in-service day. Additionally, the School District had one less non-public bus route than planned.

Using the Annual Financial Report

The audit report consists of an introductory section and a financial section that provide additional information regarding the School District and a single audit section which is issued to comply with federal guidelines as required in the U. S. Office of Management & Budget (OMB) Circular A-133 Compliance Supplement. Within this financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Hampton Township School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Using the Annual Financial Report (Cont'd)

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

Figure A-1
Required Components of
Hampton Township School District's
Financial Report

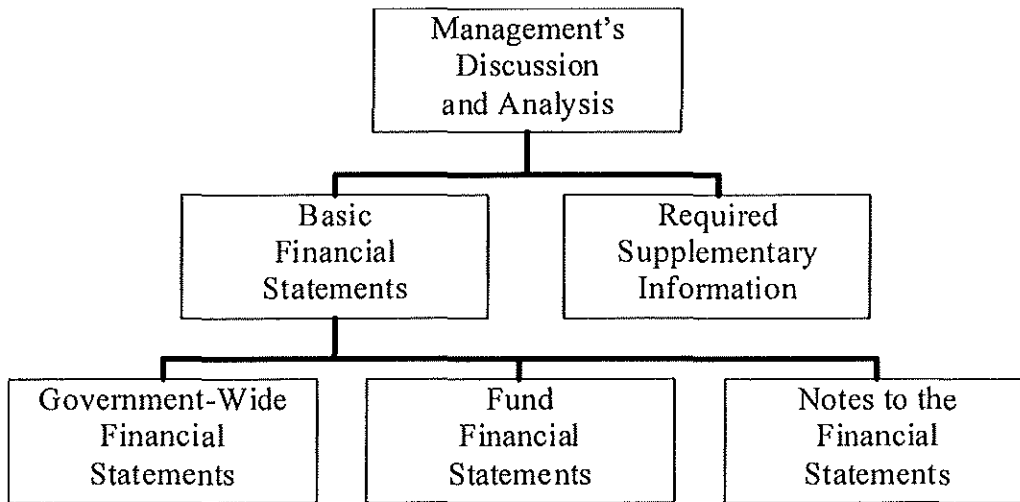


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Using the Annual Financial Report (Cont'd)

Figure A-2
Major Features of Hampton Township School District's
Government-Wide and Fund Financial Statements

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

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how it has changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-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. Property taxes and 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

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

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District

**Hampton Township School District
Management's Discussion and Analysis
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Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

- 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 we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was \$1,712,890 at June 30, 2013 and \$96,553 at June 30, 2012.

Table A-1
Years Ended June 30, 2013 and 2012
Net Position

	2013			2012		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$19,200,239	\$398,918	\$19,599,157	\$16,339,367	\$433,472	\$16,772,839
Capital Assets	<u>57,669,953</u>	<u>96,682</u>	<u>57,766,635</u>	<u>62,189,051</u>	<u>89,356</u>	<u>62,278,407</u>
Total Assets	<u>76,870,192</u>	<u>495,600</u>	<u>77,365,792</u>	<u>78,528,418</u>	<u>522,828</u>	<u>79,051,246</u>
Current and Other Liabilities	4,729,947	52,991	4,782,938	3,949,913	134,658	4,084,571
Noncurrent Liabilities						
Due Within One Year	2,747,402	-	2,747,402	2,661,786	-	2,661,786
Due in More Than One Year	<u>68,122,562</u>	<u>-</u>	<u>68,122,562</u>	<u>72,208,336</u>	<u>-</u>	<u>72,208,336</u>
Total Liabilities	<u>75,599,911</u>	<u>52,991</u>	<u>75,652,902</u>	<u>78,820,035</u>	<u>134,658</u>	<u>78,954,693</u>
Net Position						
Invested in Capital Assets, Net of Related Debt	(2,587,682)	96,682	(2,491,000)	(4,886,788)	89,356	(4,797,432)
Restricted	21,884	-	21,884	21,884	-	21,884
Unrestricted	<u>3,836,079</u>	<u>345,927</u>	<u>4,182,006</u>	<u>4,573,287</u>	<u>298,814</u>	<u>4,872,101</u>
Total Net Position	<u>\$ 1,270,281</u>	<u>\$442,609</u>	<u>\$ 1,712,890</u>	<u>\$ (291,617)</u>	<u>\$388,170</u>	<u>\$ 96,553</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The difference between total net position and the general fund balance exists due to the current depreciated value of the School District's buildings and equipment being less than the sum of future debt payments and that under generally accepted

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Financial Analysis of the School District as a Whole (Cont'd)

accounting principles, land is valued at historical cost, rather than current or appraised value. The School District's land was acquired at little or no cost many years ago; however, it has substantial market value.

The increase in net position of \$1,616,337 from \$96,553 to \$1,712,890 is the result of two primary factors:

- The fair market value of the 2007 variable rate debt increased by \$1,769,000 during the 2012/2013 fiscal year. The monthly variable rate debt payments have been as budgeted and on schedule with the previous debt.
- The School District had a general fund deficit of \$297,029 during the 2012/2013 fiscal year, as described in the "Financial Highlights" of the Management's Discussion and Analysis.

The results of the year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the basic education subsidy provided by the state of Pennsylvania.

Table A-2 utilizes the information from that statement, rearranges it slightly to present revenues for the year.

Table A-2
Years Ended June 30, 2013 and 2012
Changes in Net Position

	2013			2012		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 919,745	\$ 919,745	\$ -	\$ 972,331	\$ 972,331
Operating Grants and Contribs.	5,716,137	319,814	6,035,951	5,128,784	297,071	5,425,855
Capital Grants and Contribs.	695,693	-	695,693	1,035,956	-	1,035,956
General Revenues						
Property Taxes	26,614,766	-	26,614,766	26,648,641	-	26,648,641
Other Taxes	4,181,267	-	4,181,267	3,714,037	-	3,714,037
Grants, Subsidies and Contribs.						
Unrestricted	5,486,494	-	5,486,494	5,466,534	-	5,466,534
Investment Earnings	1,814,958	-	1,814,958	(2,136,017)	-	(2,136,017)
Other	49,428	-	49,428	77,157	-	77,157
Total Revenues	<u>44,558,743</u>	<u>1,239,559</u>	<u>45,798,302</u>	<u>39,935,092</u>	<u>1,269,402</u>	<u>41,204,494</u>

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2 (Cont'd)
Years Ended June 30, 2013 and 2012
Changes in Net Position

	2013			2012		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses						
Instruction	\$26,039,315	\$ -	\$26,039,315	\$24,254,511	\$ -	\$24,254,511
Instructional Student Support	2,620,825	-	2,620,825	2,499,327	-	2,499,327
Admin. and Financial Support Svcs.	4,152,979	-	4,152,979	3,851,404	-	3,851,404
Operation and Maintenance of Plant Services	4,143,134	-	4,143,134	4,042,035	-	4,042,035
Pupil Transportation	2,017,116	-	2,017,116	2,057,909	-	2,057,909
Student Activities	1,169,924	-	1,169,924	1,158,129	-	1,158,129
Community Services	65	-	65	2,171	-	2,171
Interest on Long-Term Debt	2,853,487	-	2,853,487	2,919,253	-	2,919,253
Food Service	-	1,185,120	1,185,120	-	1,189,299	1,189,299
Total Expenses	42,996,845	1,185,120	44,181,965	40,784,739	1,189,299	41,974,038
Change in Net Position	1,561,898	54,439	1,616,337	(849,647)	80,103	(769,544)
Beginning Net Position	(291,617)	388,170	96,553	558,030	308,067	866,097
Ending Net Position	\$ 1,270,281	\$ 442,609	\$ 1,712,890	\$ (291,617)	\$ 388,170	\$ 96,553

Summary of Significant Year-to-Year Variances

Governmental Activities

Total governmental revenues increased by \$4,623,651 from \$39,935,092 to \$44,558,743. This increase was primarily due to the following:

- Investment earnings increased by \$3,950,975. This is due to two factors: the 2012/2013 investment earnings include an increase in fair market value of the 2007 variable rate debt of \$1,769,000. The previous year's revenues included a decrease in fair market value of the 2007 variable rate debt of \$2,175,375.
- Operating grants and contributions increased by \$587,353. This was due to the following factors:

**Hampton Township School District
Management's Discussion and Analysis
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Summary of Significant Year-to-Year Variances (Cont'd)

Governmental Activities (Cont'd)

The School District's state reimbursement funding for PSERS for the 2012/2013 fiscal year increased by \$417,318. The state reimburses the School District for approximately half of the School District's PSERS contributions. As discussed previously, the School District's contribution rate for PSERS increased from 8.65% to 12.36%. The School District's total outlay for PSERS expense increased by \$835,206, which was partially offset by the \$417,318 in additional state reimbursement.

Total governmental expenses increased by \$2,212,106 from \$40,784,739 to \$42,996,845. There was an increase in the general fund expenditure budget of \$1,468,066 which was due to standard operating increases of \$632,860 in addition to the aforementioned \$835,206 increase in PSERS contributions.

Business-Type Activities

The food service fund had an increase in net position of \$54,439 in the 2012/2013 fiscal year due to the operating surplus achieved in the fund. The School District increased its breakfast and lunch prices by 10 cents for the 2012/2013 school year.

The following tables present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 analyzes the School District's largest functions: instructional programs; instructional student support; administrative; operation and maintenance of plant services; pupil transportation; student activities; food service; as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-3
Years Ended June 30, 2013 and 2012
Governmental Activities

Functions/Programs	2013		2012	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$26,039,315	\$22,488,948	\$24,254,511	\$20,612,040
Instructional Student Support	2,620,825	1,886,535	2,499,327	2,197,054
Administrative and Fin. Support Svcs.	4,152,979	3,823,803	3,851,404	3,662,933
Oper. and Maintenance of Plant Svcs.	4,143,134	3,970,257	4,042,035	3,902,151
Pupil Transportation	2,017,116	1,234,410	2,057,909	1,306,501
Student Activities	1,169,924	1,023,268	1,158,129	1,056,023
Community Services	65	-	2,171	-
Interest on Long-Term Debt	<u>2,853,487</u>	<u>2,157,794</u>	<u>2,919,253</u>	<u>1,883,297</u>
Total Governmental Activities	<u>\$42,996,845</u>	36,585,015	<u>\$40,784,739</u>	34,619,999
Less:				
Unrestricted Grants, Subsidies		<u>(5,486,494)</u>		<u>(5,466,534)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$31,098,521</u>		<u>\$29,153,465</u>

The total needs from local taxes and other revenues increased by \$1,945,056 from \$29,153,465 to \$31,098,521. This increase was met without an increase in the tax rate. The School District's governmental activities net position increased by \$1,561,898 from \$(291,617) to \$1,270,281. The positive change in net position was primarily due to the change in valuation for the School District's 2007 variable rate debt. The fair market value of the 2007 variable rate debt increased by \$1,769,000 from \$(6,785,000) to \$(5,016,000) during the 2012/2013 fiscal year. The fluctuations in fair market value have not affected the current operating results of the School District, its annual budget, its fund balance or its tax rates.

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-4
Years Ended June 30, 2013 and 2012
Business-Type Activities

Functions/Programs	2013		2012	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,185,120</u>	<u>\$(54,439)</u>	<u>\$1,189,299</u>	<u>\$(80,103)</u>

The food service fund achieved a net profit of \$54,439 during the 2012/2013 fiscal year. The School District's net profit decreased by \$25,664 from the 2011/2012 fiscal year due to a lower overall participation rate as a result of the nutritional changes included in the Federal "Healthy, Hunger-Free Kids Act." The School District's overall participation rate for qualifying reimbursable lunches fell from 87.3% in the 2011/2012 school year to 80.0% in the 2012/2013 school year. Under the "Healthy, Hunger-Free Kids Act," if a student declines to take a specific meal component (i.e. a fruit or vegetable), the transaction does not qualify as a reimbursable meal; rather as a non-reimbursable a la carte item.

School District Funds

At June 30, 2013, the School District's governmental funds reported a combined fund balance of \$12,033,141 which is an increase of \$236,634 from the July 1, 2012 combined fund balance of \$11,796,507. The reason for the increase in the combined fund balance is that although the general fund had a deficit of \$297,029, part of the general fund deficit was due to the additional \$700,000 transfer to the capital projects fund. The capital projects fund balance increased by \$487,339 from \$242,337 to \$729,676.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. A schedule detailing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2013, the School District had \$57,669,953 invested in a range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$2,149,368, or 3.59% from the previous year. This decrease is attributable to the depreciation expense of \$2,702,472 exceeding the additional equipment purchases of \$535,251. More detailed information about the School District's capital assets is included in Note 5 to the financial statements.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	2013	2012
Land	\$ 1,081,390	\$ 1,081,390
Land Improvements	1,419,946	830,893
Buildings and Building Improvements	53,154,246	54,896,524
Furniture and Equipment	2,014,371	2,281,911
Construction in Progress	-	728,603

Debt Administration

As of July 1, 2012, the School District's total outstanding debt principal (for bonds and notes) was \$66,386,923. During the 2012/2013 fiscal year, there was \$216,805 in accretion of the Series of 1995 zero coupon bonds. The School District made payments toward the principal outstanding on the Series of 2006A and 2006B bonds, 2007 VRDBs, Series of 2008, 2009, 2011A and 2011B bonds in the total amount of \$2,310,000. The School District also made payments toward the principal of the 2008 general obligation note in the amount of \$67,628 for its share of the A. W. Beattie Career and Technical School construction project.

The fiscal year debt activity resulted in ending outstanding debt as of June 30, 2013, of \$64,226,100, a decrease of 3.25%. A comprehensive analysis of the School District's long-term debt is included in Note 8 to the financial statements.

Table A-6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/13	As of 06/30/12
Bonds - Series of 1995	\$ 3,195,738	\$ 2,978,933
Bonds - Series of 2006A	9,000,000	9,155,000

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Capital Assets and Debt Administration (Cont'd)

Debt Administration (Cont'd)

Table A-6 (Cont'd)
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/13	As of 06/30/12
Bonds - Series of 2006B	\$ 6,610,000	\$ 6,650,000
Bonds - Series of 2007 (VRDBs)	20,790,000	21,525,000
Bonds - Series of 2008	9,315,000	9,450,000
Bonds - Series of 2009	2,615,000	3,445,000
Bonds - Series of 2011A	10,385,000	10,795,000
Bonds - Series of 2011B	775,000	780,000
Notes - Series of 2008	1,540,362	1,607,990

Other long-term obligations include accrued vacation pay and sick leave for specific employees of the School District, termination benefits and capital lease obligations. More detailed information about the School District's long-term liabilities is included in Notes 8-10 to the financial statements.

Economic Factors and the 2013/2014 Budget and Tax Rates

The general fund budget for the 2013/2014 year was adopted in June 2013. The 2013/2014 expenditure budget of \$43,909,736 was an increase of \$876,170, or 2.03% from the 2012/2013 final budget. Approximately 105% of the increase, or \$920,000, was due to the increase in School District contributions to PSERS. The PSERS employer contribution rate increased from 12.36% of payroll in 2012/2013 to 16.93% of payroll in 2013/2014. The School District's revenues were budgeted at \$43,193,843, resulting in a deficit of \$715,893. The School District was able to offset its budget deficit through the utilization of \$418,000 of its PSERS Rate Stabilization Fund (Year 3) and a small real estate tax rate increase of 1.15% from 17.39 mills to 17.59 mills.

The comparison of budgeted revenues and expenditures categories are as follows:

Table A-7

	Budgeted Revenues	
	2013/2014	2012/2013
Local	73.1%	73.3%
State	26.0%	25.2%
Federal/Other	0.9%	1.5%

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Economic Factors and the 2013/2014 Budget and Tax Rates (Cont'd)

Table A-7 (Cont'd)

	Budgeted Expenditures	
	2013/2014	2012/2013
Instruction	54.9%	55.4%
Support Services	30.2%	29.6%
Noninstructional	2.6%	2.5%
Fund Transfers/Debt	12.3%	12.5%

Future School District Economic Considerations

Act 1 of Special Session 2006 (the Taxpayer Relief Act) as amended by Act 25 of 2011

Under the Taxpayer Relief Act (Act 1), signed by the Governor of Pennsylvania on June 27, 2006, Pennsylvania school districts became subject to a change in their taxing structure. Act 1 expanded Pennsylvania's property tax and rent rebate programs for senior citizens and provided for a local referendum to consider increases to the local earned income tax or a change to a local personal income tax in order to fund dollar for dollar decreases in local property taxes.

The voters of Hampton Township rejected the proposed tax shift from the current earned income tax at 0.5% to a personal income tax at 1.2% in May 2007. The School District's tax structure will remain unchanged unless the tax shift is proposed for a future referendum.

However, the School District is still subject to a back-end referendum for future millage increases. Without voter approval by referendum, school districts may not increase the rate of any tax by more than the annual state index, nor may they increase or levy any new taxes. The state index is the average of the percentage increase in the state-wide average weekly wage (as reported by the Pennsylvania Department of Labor and Industry) and the national employment cost index (as reported by the Federal Bureau of Labor Statistics) for elementary and secondary schools. The back-end referendum requirement originally had ten exceptions under Act 1 of 2006, but was amended to include only three exceptions by Act 25 of 2011. The three remaining referendum exceptions are outlined below:

1. To pay interest and principal on debt incurred prior to the effective date of Act 1.
2. To pay for special education cost increases above the index (net of state special education payments).
3. To make employer contributions to PSERS when the increase in the PSERS employer contribution rate exceeds the index, as determined by the Department of Education using the School District's total compensation for the year the exception is being sought or the School District's total compensation from the 2011/2012 year, whichever is less. This change to the PSERS exception will reduce the revenue available from the exception as salaries increase over a period of years.

**Hampton Township School District
Management's Discussion and Analysis
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Future School District Economic Considerations (Cont'd)

Act 1 of Special Session 2006 (the Taxpayer Relief Act) as amended by Act 25 of 2011 (Cont'd)

The School District has not applied for or utilized any of the Act 1 exceptions in six of the seven budget years since the advent of Act 1. The School District did apply for and receive PA Department of Education approval for the use of the PSERS exception for the 2011/2012 budget year. The School District used a portion of the available PSERS Act exception to balance the 2011/2012 budget with a 0.47 mill real estate tax increase, or 2.25%.

The School District Administration and School Board prepare the budget each year in order to balance the needs of the students with the resources of the community. The School District is proud that its 2013/2014 real estate tax rate of 17.59 mills is 2.99 mills, or 14.5% lower than the average Allegheny County school district. There are only eight Allegheny County school districts with a lower 2013/2014 millage rate than Hampton Township School District and thirty-three with a higher millage rate. In the previous 10 budget years - 2003/2004 to 2012/2013, the School District has raised its millage rate four times for a cumulative increase of 10.91%, or 1.09% annually.

The new provisions of Act 25 make it imperative that the School District consider its budget over a period of years, rather than annually, because the School District's ability to raise taxes above the state Act 1 Index will be greatly reduced in future years.

Public School Employees' Retirement System Contributions (PSERS)

Actuarial projections for future School District contributions to PSERS forecast dramatic annual increases in the employer contribution rate. The forecast shows annual increases in the employer contribution rate to 31.05% of payroll by the 2025/2026 fiscal year as outlined below.

Fiscal Year	Employer Contribution Rate%	Hampton Township School District Annual PSERS Cost Net of State Reimbursement (\$)	Hampton Township School District Increase in Annual PSERS Cost (\$)
2010/2011	5.64%	\$ 635,000	\$ -
2011/2012	8.65%	973,000	338,000
2012/2013	12.36%	1,421,000	448,000
2013/2014	16.93%	1,953,000	532,000
2014/2015	21.31%	2,535,000	582,000
2015/2016	25.80%	3,163,000	628,000
2016/2017	28.30%	3,577,000	414,000
2017/2018	29.15%	3,795,000	218,000

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Future School District Economic Considerations (Cont'd)

Public School Employees' Retirement System Contributions (PSERS) (Cont'd)

Fiscal Year	Employer Contribution Rate%	Hampton Township School District Annual PSERS Cost Net of State Reimbursement (\$)	Hampton Township School District Increase in Annual PSERS Cost (\$)
2018/2019	30.14%	\$4,042,000	\$247,000
2019/2020	30.87%	4,263,000	221,000
2020/2021	30.78%	4,378,000	115,000
2021/2022	30.76%	4,506,000	128,000
2022/2023	30.93%	4,667,000	161,000
2023/2024	30.97%	4,814,000	147,000
2024/2025	31.02%	4,966,000	152,000
2025/2026	31.05%	5,120,000	154,000

Although half of the School District's contributions are reimbursed by the state, the PSERS rate increases will have a tremendous financial impact on the School District. An increase from the 2012/2013 employer contribution rate of 12.36% to 31.05% will increase the School District's expenditure budget by \$7.4 million (net increase of \$3.7 million after state reimbursement) in the 2025/2026 fiscal year. Even more staggering is the projection of cumulative 15-year PSERS additional net cost to the School District of \$44.6 million between the 2010/2011 and 2025/2026 fiscal years.

The School District has been proactive in preparing for the higher PSERS contribution rates. The School District established a PSERS Rate Stabilization Fund during the 2009/2010 fiscal year. As of June 30, 2013, the fund has \$6.181 million to allocate to future PSERS costs. The School District first allocated PSERS Rate Stabilization Funds to assist in balancing the 2011/2012 budget and the current plan will continue to allocate funds through the 2025/2026 fiscal year. The annual allocations approved by the School Board are as follows:

2011/2012	\$ 68,000	2019/2020	\$576,000
2012/2013	151,000	2020/2021	505,000
2013/2014	418,000	2021/2022	430,000
2014/2015	573,000	2022/2023	352,000
2015/2016	722,000	2023/2024	265,000
2016/2017	747,000	2024/2025	172,000
2017/2018	702,000	2025/2026	70,000
2018/2019	649,000		

The PSERS Rate Stabilization Fund and funding plan will cover only 14.2% of the gross 15-year increase in PSERS costs for the School District; however, it will provide the School District with a tremendous resource to balance its annual budgets within the Act 1 Index.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Future School District Economic Considerations (Cont'd)

Allegheny County Real Estate Tax Assessments

Allegheny County completed a court-ordered, county-wide reassessment of real property for the 2013 tax year in 2012. The County notified taxing bodies and property owners of the new values in March 2012. The initial result of the new assessments resulted in a collective increase to the assessed value of Hampton Township School District's real estate property of 30.23% with an increase in assessed value from \$1.303 billion to \$1.699 billion. There were numerous tax appeals filed by property owners. Some were resolved before the 2013/2014 budget was approved and some were not resolved before the 2013/2014 budget was approved.

As of June 2013, there were 491 tax appeals outstanding with a collective 2013 taxable assessed value of \$254 million. The expected assessment decrease for the 491 outstanding tax appeals was projected to be \$54 million. The School District reduced its real estate tax millage rate from 21.35 mills to 17.39 mills to achieve a revenue neutral millage rate for the 2013/2014 fiscal year. The millage rate reduction was based on the May 2013 updated taxable assessed value of \$1.662 billion less the projected amount for unresolved appeals of \$54 million and new construction totals of \$6 million. The 2013/2014 tax rate was based on an expected final taxable assessed value of \$1.602 billion.

As of November 2013, there are still 344 tax appeals outstanding with a collective taxable assessed value of \$165 million. Therefore, there is still uncertainty regarding the final assessment levels and the effect on future School District budgets. The School District has an existing reserve of \$600,000 for real estate tax refunds that was established in 2006. This reserve was established at the onset of the implementation of the previous base year system when many appeals resulting in decreases were expected. The School District will carry this reserve for the potential appeals and tax refunds resulting from the 2013 reassessment.

The history of the School District's 2013 Taxable Assessed Value is below:

Date	Total Taxable Assessed Value	% Increase from 2012 Assessed Value
March 2012	\$1,699,505,200	30.23%
December 2012	1,677,308,260	28.53%
February 2013	1,671,162,745	28.06%
April 2013	1,665,754,345	27.64%
May 2013	1,662,351,045	27.38%
November 2013	1,653,694,845	26.91%

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2013**

Contacting the School District Financial Management

The School District's financial report is designed to provide its citizens, taxpayers, parents, students, investors, and creditors 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 Mr. Jeffrey Kline, Director of Administrative Services of Hampton Township School District, 4591 School Road, Allison Park, PA 15101, 412-492-6308 or by email at kline@ht-sd.org.

**Hampton Township School District
Statement of Net Position
June 30, 2013**

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$14,234,039	\$369,536	\$14,603,575
Taxes Receivable, Net	1,713,846	-	1,713,846
Due from Other Governments	1,000,964	3,963	1,004,927
Other Receivables	133,526	1,537	135,063
Inventories	-	23,882	23,882
Prepaid Items	325,924	-	325,924
Long-Term Prepayments (Net of Amortization)	1,791,940	-	1,791,940
Capital Assets Not Being Depreciated			
Land	1,081,390	-	1,081,390
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	1,419,946	-	1,419,946
Building and Building Improvements	53,154,246	-	53,154,246
Furniture and Equipment	<u>2,014,371</u>	<u>96,682</u>	<u>2,111,053</u>
TOTAL ASSETS	<u>76,870,192</u>	<u>495,600</u>	<u>77,365,792</u>
LIABILITIES			
Internal Balances	(1,787)	1,787	-
Accounts Payable	809,088	9,903	818,991
Accrued Salaries and Benefits	2,882,908	-	2,882,908
Payroll Deductions and Withholdings	567,012	-	567,012
Unearned Revenues	66,212	13,807	80,019
Other Current Liabilities	406,514	27,494	434,008
Noncurrent Liabilities			
Due Within One Year	2,747,402	-	2,747,402
Due in More Than One Year			
Notes Payable	1,470,150	-	1,470,150
Compensated Absences	761,334	-	761,334
Bonds Payable	60,186,208	-	60,186,208
Other Post-Employment Benefits	333,063	-	333,063
Termination Benefits	355,807	-	355,807
Investment Derivative	<u>5,016,000</u>	-	<u>5,016,000</u>
TOTAL LIABILITIES	<u>75,599,911</u>	<u>52,991</u>	<u>75,652,902</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(2,587,682)	96,682	(2,491,000)
Restricted for Permanent Endowment - Expendable	1,484	-	1,484
Restricted for Permanent Endowment - Nonexpendable	20,400	-	20,400
Unrestricted	<u>3,836,079</u>	<u>345,927</u>	<u>4,182,006</u>
TOTAL NET POSITION	<u>\$ 1,270,281</u>	<u>\$442,609</u>	<u>\$ 1,712,890</u>

See Accompanying Notes

Hampton Township School District
Statement of Activities
Year Ended June 30, 2013

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities							
Instruction	\$26,039,315	\$ -	\$3,550,367	\$ -	\$(22,488,948)	\$ -	\$(22,488,948)
Instructional Student Support	2,620,825	-	734,290	-	(1,886,535)	-	(1,886,535)
Administrative and Financial Support Services	4,152,979	-	329,176	-	(3,823,803)	-	(3,823,803)
Operation and Maintenance of Plant Services	4,143,134	-	172,877	-	(3,970,257)	-	(3,970,257)
Pupil Transportation	2,017,116	-	782,706	-	(1,234,410)	-	(1,234,410)
Student Activities	1,169,924	-	146,656	-	(1,023,268)	-	(1,023,268)
Community Services	65	-	65	-	-	-	-
Interest on Long-Term Debt	<u>2,853,487</u>	-	-	<u>695,693</u>	<u>(2,157,794)</u>	-	<u>(2,157,794)</u>
Total Governmental Activities	<u>42,996,845</u>	-	<u>5,716,137</u>	<u>695,693</u>	<u>(36,585,015)</u>	-	<u>(36,585,015)</u>
Business-Type Activities							
33 Food Service	<u>1,185,120</u>	<u>919,745</u>	<u>319,814</u>	-	-	<u>54,439</u>	<u>54,439</u>
Total Primary Government	<u>\$4,181,965</u>	<u>\$919,745</u>	<u>\$6,035,951</u>	<u>\$695,693</u>	<u>(36,585,015)</u>	<u>54,439</u>	<u>(36,530,576)</u>
General Revenues							
Taxes							
Property Taxes, Levied for General Purposes (Net)					26,614,766	-	26,614,766
Other Taxes, Levied for General Purposes (Net)							
Earned Income Taxes					3,824,345	-	3,824,345
Real Estate Transfer Taxes					315,389	-	315,389
Public Utility Realty Taxes					41,533	-	41,533
Grants, Subsidies and Contributions not Restricted					5,486,494	-	5,486,494
Investment Earnings					1,814,958	-	1,814,958
Miscellaneous Income					<u>49,428</u>	-	<u>49,428</u>
Total General Revenues					<u>38,146,913</u>	-	<u>38,146,913</u>
Changes in Net Position					1,561,898	54,439	1,616,337
Net Position - July 1, 2012					<u>(291,617)</u>	<u>388,170</u>	<u>96,553</u>
Net Position - June 30, 2013					<u>\$ 1,270,281</u>	<u>\$442,609</u>	<u>\$ 1,712,890</u>

See Accompanying Notes

**Hampton Township School District
Balance Sheet
Governmental Funds
June 30, 2013**

Exhibit 3

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$13,474,396	\$ 2	\$759,641	\$14,234,039
Taxes Receivable (Net)	1,713,846	-	-	1,713,846
Due from Other Funds	1,787	591,095	-	592,882
Due from Other Governments	1,000,964	-	-	1,000,964
Other Receivables	133,526	-	-	133,526
Prepaid Items	<u>325,924</u>	<u>-</u>	<u>-</u>	<u>325,924</u>
TOTAL ASSETS	<u>\$16,650,443</u>	<u>\$591,097</u>	<u>\$759,641</u>	<u>\$18,001,181</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 591,095	\$ -	\$ -	\$ 591,095
Accounts Payable	801,007	-	8,081	809,088
Accrued Salaries and Benefits	2,882,908	-	-	2,882,908
Payroll Deductions and Withholdings	567,012	-	-	567,012
Deferred Revenues	1,066,301	-	-	1,066,301
Other Current Liabilities	<u>51,636</u>	<u>-</u>	<u>-</u>	<u>51,636</u>
Total Liabilities	<u>5,959,959</u>	<u>-</u>	<u>8,081</u>	<u>5,968,040</u>
Fund Balances				
Nonspendable	325,924	-	20,400	346,324
Restricted	-	-	1,484	1,484
Committed	6,781,000	591,097	729,676	8,101,773
Assigned	3,908	-	-	3,908
Unassigned	<u>3,579,652</u>	<u>-</u>	<u>-</u>	<u>3,579,652</u>
Total Fund Balances	<u>10,690,484</u>	<u>591,097</u>	<u>751,560</u>	<u>12,033,141</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$16,650,443</u>	<u>\$591,097</u>	<u>\$759,641</u>	<u>\$18,001,181</u>

See Accompanying Notes

Hampton Township School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013

Exhibit 4

Total Fund Balances - Governmental Funds \$ 12,033,141

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$93,774,250 and the accumulated depreciation is \$36,104,297. 57,669,953

Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,000,089

Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. 549,341

The payment to the joint venture is capitalized and amortized over the life of the notes payable issued. 1,357,129

Derivative instruments used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. (5,016,000)

Long-term liabilities, including bonds, notes, and capital leases 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	\$(60,372,165)	
Accrued Interest on the Current Interest Bonds	(354,878)	
Accreted Interest on the Capital Appreciation Bonds	(2,313,573)	
Notes Payable	(1,540,362)	
Other Post-Employment Benefits	(333,063)	
Termination Benefits	(617,997)	
Compensated Absences	<u>(791,334)</u>	<u>(66,323,372)</u>

Total Net Position - Governmental Activities \$ 1,270,281

See Accompanying Notes

**Hampton Township School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013**

Exhibit 5

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local Sources	\$31,348,626	\$ 1	\$ 17	\$31,348,644
State Sources	10,737,416	-	-	10,737,416
Federal Sources	<u>674,035</u>	<u>-</u>	<u>-</u>	<u>674,035</u>
Total Revenues	<u>42,760,077</u>	<u>1</u>	<u>17</u>	<u>42,760,095</u>
Expenditures				
Current				
Instruction	23,838,857	-	-	23,838,857
Support Services	12,270,543	-	-	12,270,543
Noninstructional Services	1,042,379	-	2	1,042,381
Capital Outlay	-	-	360,676	360,676
Debt Service				
Principal	25,519	2,310,000	-	2,335,519
Interest	705	2,674,427	-	2,675,132
Other	<u>353</u>	<u>-</u>	<u>-</u>	<u>353</u>
Total Expenditures	<u>37,178,356</u>	<u>4,984,427</u>	<u>360,678</u>	<u>42,523,461</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,581,721</u>	<u>(4,984,426)</u>	<u>(360,661)</u>	<u>236,634</u>
Other Financing Sources (Uses)				
Transfers In	-	5,030,750	848,000	5,878,750
Transfers Out	<u>(5,878,750)</u>	<u>-</u>	<u>-</u>	<u>(5,878,750)</u>
Total Other Financing Sources (Uses)	<u>(5,878,750)</u>	<u>5,030,750</u>	<u>848,000</u>	<u>-</u>
Net Changes in Fund Balances	(297,029)	46,324	487,339	236,634
Fund Balances - July 1, 2012	<u>10,987,513</u>	<u>544,773</u>	<u>264,221</u>	<u>11,796,507</u>
Fund Balances - June 30, 2013	<u>\$10,690,484</u>	<u>\$ 591,097</u>	<u>\$ 751,560</u>	<u>\$12,033,141</u>

See Accompanying Notes

**Hampton 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, 2013**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 236,634

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

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

Depreciation Expense	\$(2,702,472)	
Capital Outlays	<u>553,104</u>	(2,149,368)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 30,001

Repayment of bond principal, note principal and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,403,147

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations), termination benefits and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	112,924	
Termination Benefits	(382,912)	
Other Post-Employment Benefits	<u>(139,627)</u>	(409,615)

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

**Hampton 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, 2013**

Exhibit 6

Net Change in Accrued Interest on the Bonds	\$ 22,263	
Accretion of Interest on the School District's Capital Appreciation Bonds	<u>(216,805)</u>	\$ (194,542)
<p>Governmental funds report changes in investment derivative instruments only when those instruments provide or use financial resources. However, in the statement of activities, changes in the fair value of investment derivative instruments are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment. This is the amount of the change in the fair value of investment derivatives in the current period.</p>		
		1,769,000
<p>Bond issuance costs and bond discount and premium are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.</p>		
Amortization of Joint Venture Payment	(88,509)	
Amortization of Issuance Costs, Discount, Premium and Deferred Loss on Refunding	<u>(34,850)</u>	<u>(123,359)</u>
Change in Net Position of Governmental Activities		<u>\$ 1,561,898</u>

See Accompanying Notes

**Hampton Township School District
Statement of Net Position
Proprietary Funds
June 30, 2013**

Exhibit 7

	Food Service Fund
ASSETS	
Cash and Cash Equivalents	\$369,536
Due from Other Governments	3,963
Other Receivables	1,537
Inventories	<u>23,882</u>
Total Current Assets	<u>398,918</u>
Noncurrent Assets	
Furniture and Equipment (Net)	<u>96,682</u>
TOTAL ASSETS	<u>495,600</u>
LIABILITIES	
Due to Other Funds	1,787
Accounts Payable	9,903
Deferred Revenues	13,807
Other Current Liabilities	<u>27,494</u>
TOTAL LIABILITIES	<u>52,991</u>
NET POSITION	
Invested in Capital Assets	96,682
Unrestricted	<u>345,927</u>
TOTAL NET POSITION	<u>\$442,609</u>

See Accompanying Notes

Hampton Township School District
Statement of Revenues, Expenses and Changes
in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>919,745</u>
Operating Expenses	
Salaries	250,499
Employee Benefits	43,494
Purchased Professional and Technical Services	2,200
Other Purchased Services	788,590
Supplies	86,632
Depreciation	13,658
Dues and Fees	<u>47</u>
Total Operating Expenses	<u>1,185,120</u>
Operating Income (Loss)	<u>(265,375)</u>
Nonoperating Revenues (Expenses)	
State Sources	56,959
Federal Sources	<u>262,855</u>
Total Nonoperating Revenues (Expenses)	<u>319,814</u>
Change in Net Position	54,439
Net Position - July 1, 2012	<u>388,170</u>
Net Position - June 30, 2013	\$ <u>442,609</u>

See Accompanying Notes

**Hampton Township School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2013**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 924,070
Cash Payments to Employees for Services	(294,027)
Cash Payments to Suppliers for Goods and Services	<u>(898,738)</u>
Net Cash Used for Operating Activities	<u>(268,695)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	57,106
Federal Sources	<u>205,933</u>
Net Cash Provided by Non-Capital Financing Activities	<u>263,039</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp. Services	<u>(20,984)</u>
Net Decrease in Cash and Cash Flows	(26,640)
Cash and Cash Equivalents - July 1, 2012	<u>396,176</u>
Cash and Cash Equivalents - June 30, 2013	<u>\$ 370,536</u>
Operating Income (Loss)	\$(265,375)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	13,658
Donated Commodities	56,354
Increase (Decrease) in Accounts Receivable	2,256
(Increase) Decrease in Inventories	4,606
Increase (Decrease) in Accounts Payable	(82,263)
Increase (Decrease) in Accrued Salaries/Benefits	<u>2,069</u>
Total Adjustments	<u>(3,320)</u>
Cash Used for Operating Activities	<u>\$(268,695)</u>
Noncash Non-Capital Financing Activities	
During the year ended June 30, 2013, the School District received \$54,880 of U. S. D. A. Donated Commodities in the food service fund.	

See Accompanying Notes

Hampton Township School District
Statement of Net Position
Fiduciary Funds
June 30, 2013

Exhibit 10

	Agency Fund
ASSETS	
Cash and Cash Equivalents	<u>\$112,118</u>
LIABILITIES	
Other Current Liabilities	<u>\$112,118</u>

See Accompanying Notes

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies

Hampton Township School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Township of Hampton. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Hampton Township School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; propriety; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The School District also reports as nonmajor governmental funds the following:

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

Permanent funds are used to account for assets held by the School District pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Emily Scott Memorial and Spanos Memorial funds are considered permanent funds. The earnings are to be used for specific school programs.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following propriety fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund type:

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *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. Proprietary 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Joint Venture

The School District is one of nine-member school districts of the A. W. Beattie Career Center (Beattie). Beattie provides vocational-technical training and education to participating students of the member districts. Beattie is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Beattie's operations are the responsibility of the Joint Committee, which consists of two representatives from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Beattie. The School District's share of annual operating and capital costs for Beattie fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Beattie for the year ended June 30, 2013, was \$371,259 which was paid in the year ended June 30, 2013 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2013. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

E. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2013.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes. The actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

H. Receivables and Payables

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

I. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2013.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2013 are reported as deferred revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

K. Capital Assets (Cont'd)

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

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

Assets	Years
Buildings	50
Building Improvements	20-40
Land Improvements	20
Furniture	5-20
Vehicles	10
Equipment	5-10
Computers	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. 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 position. Bond premiums, discount and issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discount 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.

M. Compensated Absences

The School District's policies regarding vacation and sick time is provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Compensated Absences (Cont'd)

government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

N. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

O. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 1 - Summary of Significant Accounting Policies (Cont'd)

O. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purpose of the nonspendable, restricted, committed and assigned fund balance as of June 30, 2013, is as follows:

General Fund

1. Nonspendable fund balance of \$325,924 is for prepaid items.

**Hampton Township School District
Notes to Financial Statements
June 30, 2013**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

O. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

General Fund (Cont'd)

2. The committed fund balance of \$6,781,000 is for the following purposes:

a. Employer Retirement	
Expenditures future increases	\$6,181,000
b. Real Estate Tax Appeals	<u>600,000</u>
	<u>\$6,781,000</u>

3. The assigned fund balance of \$3,908 is for summer school programs.

Debt Service Fund

The committed fund balance of \$591,097 is for future debt payments on the School District's 2007 variable rate bonds.

Nonmajor Funds

1. The nonspendable fund balance of \$20,400 is the principal portion of the permanent fund original contribution which must remain intact.
2. The restricted fund balance of \$1,484 is the earnings in the permanent fund which must be used to achieve the objectives as outlined in the agreement between the School District and the contributor.
3. The committed fund balance of \$729,676 is for future capital projects.

Note 2 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 2 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2013, \$8,502,387 of the School District's bank balance of \$10,232,331 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$8,502,387</u>

As of June 30, 2013, the School District had the following investments:

Investments	Fair Value
First American Government Obligation Fund	\$ 2
PSDLAF	<u>4,730,174</u>
	<u>\$4,730,176</u>

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

As of June 30, 2013, the School District had investment with the following maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Investment Derivative					
Instruments	<u>\$(5,016,000)</u>	\$ _____	\$ _____	\$ _____	<u>\$(5,016,000)</u>

The School District is invested in one interest rate swap with term as noted below:

**Hampton Township School District
Notes to Financial Statements
June 30, 2013**

Note 2 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Transaction Date	02/24/04
Effective Date	08/31/07
Maturity Date	09/01/27
Terms	School District pays fixed from 5.0% to 5.02164% and receives 68% of one-month LIBOR plus 30 basis points
Notional Amount	\$20,790,000

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and the First American Government Obligation Fund were rated AAAM by Standard & Poor's.

Credit Risk Relating to its Investment Derivative - The risk the School District will have exposure to a swap counterparty under the swap. Credit risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap documents. The credit ratings for the counterparties are as follows: Moody's - Aa3; Standard & Poor's - AA- and Fitch AA-.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The fund has the characteristics of open-end mutual funds and is not subject to custodial credit risk classification.

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net position to compute share prices. The fund maintains net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF is the same as the value of PSDLAF shares.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2012/2013 was 21.35 mills (\$21.35 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2012/2013 is as follows:

Tax Levy Date	July 1, 2012
2% Discount Period	Through August 31, 2012
Face Payment Period	September 1 - October 31, 2012
10% Penalty Period	November 1 Until Liened
Lien Filing Date	July 1, 2013

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$1,000,089 net of estimated uncollectible of \$111,121, along with other taxes receivable of \$713,757.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2013, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 203,453	\$3,399	\$ 206,852
State	679,848	564	680,412
Local	<u>117,663</u>	<u>-</u>	<u>117,663</u>
	<u>\$1,000,964</u>	<u>\$3,963</u>	<u>\$1,004,927</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Disposals	Transfers	Balance 06/30/13
Governmental Activities					
Capital Assets Not Being Depreciated					
Land	\$ 1,081,390	\$ -	\$ -	\$ -	\$ 1,081,390
Construction in Progress	<u>728,603</u>	<u>17,853</u>	<u>-</u>	<u>(746,456)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>1,809,993</u>	<u>17,853</u>	<u>-</u>	<u>(746,456)</u>	<u>1,081,390</u>

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 5 - Capital Assets (Cont'd)

	Balance 07/01/12	Additions	Disposals	Transfers	Balance 06/30/13
Governmental Activities (Cont'd)					
Capital Assets Being Depreciated					
Land Improvements	\$ 3,478,888	\$ 2,900	\$ -	\$ 746,456	\$ 4,228,244
Buildings and Building Improvements	80,837,605	170,983	-	-	81,008,588
Furniture and Equipment	<u>7,094,660</u>	<u>361,368</u>	-	-	<u>7,456,028</u>
Total Capital Assets Being Depreciated	<u>91,411,153</u>	<u>535,251</u>	-	<u>746,456</u>	<u>92,692,860</u>
Less Accumulated Depreciation					
Land Improvements	2,647,995	160,303	-	-	2,808,298
Buildings and Building Improvements	25,941,081	1,913,261	-	-	27,854,342
Furniture and Equipment	<u>4,812,749</u>	<u>628,908</u>	-	-	<u>5,441,657</u>
Total Accumulated Depreciation	<u>33,401,825</u>	<u>2,702,472</u>	-	-	<u>36,104,297</u>
Total Capital Assets Being Depreciated, Net	<u>58,009,328</u>	<u>(2,167,221)</u>	-	<u>746,456</u>	<u>56,588,563</u>
Governmental Activities Capital Assets, Net	<u>\$59,819,321</u>	<u>\$(2,149,368)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$57,669,953</u>
Business-Type Activities					
Furniture and Equipment	\$ 276,676	\$ 20,984	\$ -	\$ -	\$ 297,660
Less Accumulated Depreciation	<u>187,320</u>	<u>13,658</u>	-	-	<u>200,978</u>
Business-Type Capital Assets, Net	<u>\$ 89,356</u>	<u>\$ 7,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,682</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$1,983,245
Instructional Student Support	760
Administration and Financial Support Services	74,656
Operation and Maintenance of Plant Services	516,203
Student Activities	<u>127,608</u>
Total Depreciation Expense	<u>\$2,702,472</u>
Business-Type Activities	
Food Service	<u>\$ 13,658</u>

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 6 - Interfund Balances

Interfund balances at June 30, 2013, were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,787	\$591,095
Debt Service Fund	591,095	-
Enterprise Fund		
Food Service Fund	<u>-</u>	<u>1,787</u>
	<u>\$592,882</u>	<u>\$592,882</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Note 7 - Interfund Transfers

For the year ended June 30, 2013, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u> General Fund
Nonmajor Funds	
Capital Projects Fund	\$ 848,000
Debt Service Fund	<u>5,030,750</u>
	<u>\$5,878,750</u>

The general fund annually transfers monies to the debt service funds to pay the principal and interest due on the outstanding general obligation bonds of the School District. The general fund also transferred \$848,000 to the capital projects fund for future capital projects.

Note 8 - Long-Term Debt

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2013:

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 8 - Long-Term Debt (Cont'd)

	Balance 07/01/12	Additions	Accretion	Retirements	Balance 06/30/13	Due Within One Year
Governmental Activities						
General Obligation Bonds	\$64,778,933	\$ -	\$216,805	\$2,310,000	\$62,685,738	\$2,385,000
Less: Deferred Loss on Refunding	(438,244)	-	-	(30,169)	(408,075)	-
Less: Bond Discount	(324,774)	-	-	(24,229)	(300,545)	-
Add: Bond Premium	<u>664,675</u>	<u>-</u>	<u>-</u>	<u>70,585</u>	<u>594,090</u>	<u>-</u>
Net General Obligation Bonds	<u>64,680,590</u>	<u>-</u>	<u>216,805</u>	<u>2,326,187</u>	<u>62,571,208</u>	<u>2,385,000</u>
General Obligation Notes	1,607,990	-	-	67,628	1,540,362	70,212
Capital Lease Obligations	25,519	-	-	25,519	-	-
Compensated Absences Payable	904,258	81,818	-	194,742	791,334	30,000
Termination Payments	<u>235,085</u>	<u>722,912</u>	<u>-</u>	<u>340,000</u>	<u>617,997</u>	<u>262,190</u>
Governmental Activities						
Long-Term Liabilities	<u>\$67,453,442</u>	<u>\$804,730</u>	<u>\$216,805</u>	<u>\$2,954,076</u>	<u>\$65,520,901</u>	<u>\$2,747,402</u>

General Obligation Bonds

Series of 1995 - Capital Appreciation Bonds; original issuance amount \$882,165; bonds payable in annual installments, final maturity November 15, 2025; yield 7.15%	\$ 3,195,738
Refunding Series of 2006 A in the amount of \$9,625,000; 3.5% - 4.25% current interest bonds payable in semi-annual installments; final payment due November 15, 2029	9,000,000
Refunding Series of 2006 B in the amount of \$6,905,000; 3.5% - 4.25% current interest bonds payable in semi-annual installments; final payment due August 15, 2031	6,610,000
Series of 2007 in the amount of \$24,125,000; due serially through September 1, 2027; interest is variable	20,790,000
Series of 2008 in the amount of \$9,990,000; 2.0% - 4.0% current interest; bonds payable in semi-annual installments; final payment due August 15, 2032	9,315,000

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 8 - Long-Term Debt (Cont'd)

General Obligation Bonds (Cont'd)

Refunding Series of 2009 in the amount of \$5,885,000; 1.0% - 2.90% current interest; bonds payable in semi-annual installments; final payment due August 15, 2015	\$ 2,615,000
Refunding Series of 2011A in the amount of \$11,145,000; 2.0% - 5.0% current interest; bonds payable in semi-annual installments; final payment due November 15, 2021	10,385,000
Series of 2011B in the amount of \$785,000; 2.25% - 4.75% current interest; bonds payable in semi-annual installments; final payment due March 15, 2032	<u>775,000</u>
	<u>\$62,685,738</u>

Notes Payable

Series of 2008 in the amount of \$1,799,674; 3.0% - 4.60%, payable in semi-annual installments; final payment due October 25, 2028	<u>\$ 1,540,362</u>
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The debt service source for the above debt is the general fund. The bonds were issued for capital project purposes. The interest requirements on the 2007 variable rate bonds used in the amounts below were based on the rate effective at year end. Interest on the variable rate bonds shall be no greater than 12% per annum, or the weekly rate, which is determined by the remarketing agent. The general fund typically has been used in prior years to liquidate the liability for capital leases, compensated absences and termination benefits.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences, capital leases and termination benefits) as of June 30, 2013, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
2014	\$ 2,385,000	\$ 1,573,924	\$ 70,212	\$ 63,384	\$ 4,092,520
2015	2,470,000	1,525,897	72,797	60,787	4,129,481

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 8 - Long-Term Debt (Cont'd)

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
2016	\$ 2,550,000	\$ 1,472,570	\$ 75,381	\$ 58,012	\$ 4,155,963
2017	2,665,000	1,417,735	78,397	55,223	4,216,355
2018	2,750,000	1,359,264	81,412	52,125	4,242,801
2019-2023	13,939,295	7,101,131	460,472	206,541	21,707,439
2024-2028	13,592,870	9,022,808	571,176	95,969	23,282,823
2029-2033	<u>20,020,000</u>	<u>2,022,206</u>	<u>130,515</u>	<u>3,002</u>	<u>22,175,723</u>
	60,372,165	25,495,535	1,540,362	595,043	88,003,105
Accretion to Date	<u>2,313,573</u>	<u>(2,313,573)</u>	-	-	-
	<u>\$62,685,738</u>	<u>\$23,181,962</u>	<u>\$1,540,362</u>	<u>\$595,043</u>	<u>\$88,003,105</u>

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2013, \$5,925,000 of bonds outstanding are considered defeased.

Note 9 - Capital Leases

The School District has entered into a lease agreement as lessee for financing the acquisition of copiers. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset	
Machinery and Equipment	\$115,650
Less: Accumulated Depreciation	<u>(115,650)</u>
Total	<u>\$_____</u>

The capital lease was paid in full in the year ended June 30, 2013 and no future payments are due under this lease at June 30, 2013.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 10 - Termination Benefits

The School District, as part of the collective bargaining agreement with teachers, has available certain early retirement enhancements to qualified employees. Under the current bargaining agreement, the employee must have at least seventeen years of service in Hampton Township School District if retired by June 30, 2013. A similar program was offered in both 2009/2010 and 2010/2011.

Under each of the programs, teachers electing the incentive receive a payment of \$40,000. The payment is being distributed in equal annual installments of \$10,000 which are made directly to the employee's 403(b) plan. The School District used a discount rate of 4.5% to calculate the discounted present value of the expected future benefit payments of \$617,997 at June 30, 2013. Thirty-four teachers are participating in the plan.

Note 11 - Public School Employees' Retirement System (PSERS)

A. Plan Description

Hampton Township School District contributes to the Public School Employees' Retirement System of Pennsylvania (PSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PSERS. PSERS provides retirement and disability benefits, legislative mandated ad hoc cost of living adjustments, and health care insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, 24 Pa. C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Public School Employees' Retirement System; P.O. Box 125; Harrisburg, PA 17108-0125.

B. Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Two new classes of membership (Class T-E and Class T-F) were created for anyone that becomes a new member of PSERS for the first time on or after July 1, 2011. For Class T-E members, the pension multiplier is 2% and the employee contribution base rate is 7.5% with a "shared risk". For Class T-F members, the pension multiplier is 2.5% and the employee contribution base rate is 10.3% with a "shared risk". Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employee contribution was 12.36% of covered payroll, or 6.18% for both the School District and the Commonwealth.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. Funding Policy (Cont'd)

The School District's contributions to PSERS for the years ending June 30, 2013, 2012 and 2011 were \$2,654,260, \$1,812,271 and \$1,219,179, equal to the required contributions for each year. One half of the required contributions noted above were paid by the Commonwealth of Pennsylvania as a reimbursement to the School District.

Note 12 - Contingent Liabilities

Hampton Township School District participates in a number of federally assisted grant programs, principal of which are IDEA and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2013 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 13 - Post-Employment Healthcare Plan

A. Plan Description

Hampton Township School District administers a single-employer defined benefit healthcare plan ("The Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for six groups of employees: teachers; administrators; secretaries/para-professionals; custodial/maintenance cafeteria and "other". The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

Medical Benefits

Qualified retirees under PA Act 110 can elect to remain in the School District's medical benefits plan provided they pay 100% of the premium rate.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

Medical Benefits (Cont'd)

For employees who retire and remain in the medical plan, they have a choice of either a PPO or an HMO product. Both programs are provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC) and are administered by Highmark. The PPO program is referred to as PPOBlue and the HMO is referred to as Keystone. A summary of the benefits available are as follows:

Eligibility/Contributions

The eligibility criteria for the current incentive is as follows: an employee must have at least 17 years with the School District and the employee must meet the "superannuation" criteria under PSERS. The superannuation criteria is 35 years of PSERS service at any age, 30 years of service with attainment of age 60, or any amount of service and attainment of age 62. Retirees are eligible to purchase medical, dental and vision benefits through the School District's insurance carriers. All retirees must pay 100% of the School District's cost for the purchase of medical, dental and vision benefits. Retirees can opt to purchase medical benefits until they reach the age of 65. Dental and vision benefits may be purchased for as long as the retiree and/or spouse chooses.

For the year ended June 30, 2013, the School District contributed \$-0-. Plan members receiving benefits contributed \$347,106. The plan is financed on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation.

Annual Required Contribution	\$ 447,769
Interest on Net OPEB Obligation	7,737
Adjustment to Annual Required Contribution	<u>(23,849)</u>
Annual OPEB Cost (Expense)	431,657

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 13 - Post-Employment Healthcare Plan (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

Contributions Made	<u>\$(292,030)</u>
Increase on OPEB Obligation	139,627
Net OPEB Obligation - Beginning of Year	<u>193,436</u>
Net OPEB Obligation - End of Year	<u>\$ 333,063</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2013, 2012 and 2011, is as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/13	\$431,657	67.65%	\$333,063
06/30/12	561,058	93.15%	193,436
06/30/11	569,412	88.32%	154,977

D. Funded Status and Funding Progress

As of July 1, 2012, the actuarial accrued liability for benefits was \$2,497,860, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$22,194,789 and the ratio of unfunded actuarial accrued liability to the covered payroll was 11.25%.

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

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 13 - Post-Employment Healthcare Plan (Cont'd)

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.0%; an annual healthcare cost trend rate of 8% initially decreasing by 0.5% per year to an ultimate rate of 4.5% and an inflation rate of 2.75%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is ten years. The period is open.

Note 14 - Risk Management

The School District is one of forty-six members of the Allegheny County School Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$3,250,079 and \$3,276,150 for the years ended June 30, 2013 and 2012, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2013, the net position of the Consortium were \$36,455,760 of which \$518,729 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Hampton Township School District
Notes to Financial Statements
June 30, 2013

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2013 was \$2,211,012. This includes \$1,352,150 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$858,862 to the federal government for social security and Medicare taxes for the year ended June 30, 2013. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 16 - Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2013 financial statements, are as follows:

Governmental Activities	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2012</u>		Notional in Thousands
	Classification	Amount	Classification	Amount	
Investment Derivative Instruments:					
Interest rate Swap- 2007; Pay Fixed	Investment Revenue	\$1,769,000	Investment	\$(5,016,000)	\$20,790

The fair value of the interest rate swap is estimated based on economic assessment of the transaction or instrument and is derived from model prices; external sources or market prices.

Note 17 - Subsequent Event

In July 2013, the School District entered into a capital lease for copiers to be utilized throughout the School District. The total capitalized cost is \$144,122, payable in sixty monthly amounts of \$2,599, including interest.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$25,747,000	\$25,747,000	\$25,822,231	\$ 75,231
Interim Real Estate Taxes	75,000	75,000	3,065	(71,935)
Public Utility Realty Taxes	41,000	41,000	41,533	533
Earned Income Taxes	3,325,000	3,325,000	3,753,476	428,476
Real Estate Transfer Taxes	330,000	330,000	315,389	(14,611)
Delinquencies on Taxes	1,200,000	1,200,000	830,691	(369,309)
Earnings on Investments	40,000	40,000	45,940	5,940
Other Local Revenues				
Revenue from Student Activities	50,000	50,000	93,606	43,606
Federal and State Revenues from IUs	370,000	370,000	373,267	3,267
Contribs. and Donations from Priv. Sources	-	-	20,000	20,000
Rentals	25,000	25,000	15,312	(9,688)
Tuition	5,000	5,000	-	(5,000)
Miscellaneous Revenue	10,000	10,000	8,608	(1,392)
Refunds of Prior Year's Expenditures	5,000	5,000	25,508	20,508
Total Revenues from Local Sources	<u>31,223,000</u>	<u>31,223,000</u>	<u>31,348,626</u>	<u>125,626</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	4,608,256	4,608,256	4,608,210	(46)
Tuition	8,000	8,000	-	(8,000)
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,448,222	1,448,222	1,448,222	-
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	803,389	803,389	780,658	(22,731)
Rentals and Sinking Fund Payments	686,997	686,997	695,693	8,696
Health Services	68,000	68,000	67,768	(232)
State Property Tax Reduction Allocation	858,284	858,284	858,284	-
PA Accountability Grant	88,848	88,848	88,848	-
Social Security Payments	800,000	800,000	852,492	52,492
State Retirement Revenue	1,359,500	1,359,500	1,337,241	(22,259)
Total Revenues from State Sources	<u>10,729,496</u>	<u>10,729,496</u>	<u>10,737,416</u>	<u>7,920</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	\$ 85,000	\$ 85,000	\$ 98,566	\$ 13,566
Title II	60,000	60,000	54,431	(5,569)
Medical Assistance - Access	<u>500,000</u>	<u>500,000</u>	<u>521,038</u>	<u>21,038</u>
Total Revenues from Federal Sources	<u>645,000</u>	<u>645,000</u>	<u>674,035</u>	<u>29,035</u>
Total Revenues	<u>42,597,496</u>	<u>42,597,496</u>	<u>42,760,077</u>	<u>162,581</u>
Expenditures				
Current				
Instruction				
Regular Programs				
Personal Services				
Salaries	13,537,641	13,537,641	14,250,481	(712,840)
Employee Benefits	4,577,120	4,577,120	4,564,545	12,575
Purchased Prof. and Tech. Services	75,500	75,500	69,137	6,363
Purchased Property Services	89,889	89,889	54,588	35,301
Other Purchased Services	375,938	373,984	350,141	23,843
Supplies	410,533	466,915	395,585	71,330
Property	244,512	202,576	221,475	(18,899)
Other Objects	<u>7,348</u>	<u>7,279</u>	<u>4,673</u>	<u>2,606</u>
Total Regular Programs	<u>19,318,481</u>	<u>19,330,904</u>	<u>19,910,625</u>	<u>(579,721)</u>
Special Programs				
Personal Services				
Salaries	2,180,910	2,180,910	2,063,964	116,946
Employee Benefits	725,411	725,411	688,672	36,739
Purchased Prof. and Tech. Services	338,386	338,386	350,831	(12,445)
Purchased Property Services	-	-	270	(270)
Other Purchased Services	176,338	176,338	276,596	(100,258)
Supplies	50,963	50,963	23,824	27,139
Property	<u>4,073</u>	<u>4,073</u>	<u>4,163</u>	<u>(90)</u>
Total Special Programs	<u>3,476,081</u>	<u>3,476,081</u>	<u>3,408,320</u>	<u>67,761</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current (Cont'd)				
Instruction (Cont'd)				
Vocational Education Programs				
Personal Services				
Salaries	\$ 343,025	\$ 343,025	\$ -	\$ 343,025
Employee Benefits	114,097	114,097	-	114,097
Purchased Property Services	3,000	3,000	-	3,000
Other Purchased Services	504,500	504,500	498,479	6,021
Supplies	<u>22,740</u>	<u>20,495</u>	<u>-</u>	<u>20,495</u>
Total Vocational Education Programs	<u>987,362</u>	<u>985,117</u>	<u>498,479</u>	<u>486,638</u>
Other Instructional Programs				
Personal Services				
Salaries	16,000	16,000	4,920	11,080
Employee Benefits	5,322	5,322	1,565	3,757
Other Purchased Services	<u>50,000</u>	<u>50,000</u>	<u>833</u>	<u>49,167</u>
Total Other Instructional Programs	<u>71,322</u>	<u>71,322</u>	<u>7,318</u>	<u>64,004</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	<u>-</u>	<u>-</u>	<u>14,115</u>	<u>(14,115)</u>
Total Instruction	<u>23,853,246</u>	<u>23,863,424</u>	<u>23,838,857</u>	<u>24,567</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	942,237	942,237	823,178	119,059
Employee Benefits	314,415	314,415	262,776	51,639
Purchased Prof. and Tech. Services	12,975	12,975	7,985	4,990
Purchased Property Services	50	50	-	50
Other Purchased Services	2,500	2,331	2,515	(184)
Supplies	4,280	4,280	2,027	2,253
Other Objects	<u>1,020</u>	<u>1,020</u>	<u>787</u>	<u>233</u>
Total Pupil Personnel	<u>1,277,477</u>	<u>1,277,308</u>	<u>1,099,268</u>	<u>178,040</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current (Cont'd)				
Support Services (Cont'd)				
Instructional Staff				
Personal Services				
Salaries	\$ 708,166	\$ 708,166	\$ 739,927	\$ (31,761)
Employee Benefits	218,704	218,704	212,213	6,491
Purchased Prof. and Tech. Services	50,905	50,905	53,826	(2,921)
Purchased Property Services	2,900	2,900	936	1,964
Other Purchased Services	9,250	9,250	10,849	(1,599)
Supplies	101,445	102,945	95,432	7,513
Property	<u>2,000</u>	<u>2,000</u>	<u>1,767</u>	<u>233</u>
Total Instructional Staff	<u>1,093,370</u>	<u>1,094,870</u>	<u>1,114,950</u>	<u>(20,080)</u>
Administration				
Personal Services				
Salaries	1,839,716	1,839,716	1,815,176	24,540
Employee Benefits	617,770	617,770	568,419	49,351
Purchased Prof. and Tech. Services	405,000	405,000	430,475	(25,475)
Purchased Property Services	9,600	9,600	7,296	2,304
Other Purchased Services	117,617	116,220	161,054	(44,834)
Supplies	35,025	35,025	31,474	3,551
Property	250	430	430	-
Other Objects	<u>23,035</u>	<u>23,035</u>	<u>24,364</u>	<u>(1,329)</u>
Total Administration	<u>3,048,013</u>	<u>3,046,796</u>	<u>3,038,688</u>	<u>8,108</u>
Pupil Health				
Personal Services				
Salaries	327,972	327,972	301,874	26,098
Employee Benefits	109,090	109,090	94,940	14,150
Purchased Prof. and Tech. Services	11,000	11,000	9,780	1,220
Purchased Property Services	277	277	200	77
Other Purchased Services	699	699	715	(16)
Supplies	<u>6,564</u>	<u>6,564</u>	<u>6,104</u>	<u>460</u>
Total Pupil Health	<u>455,602</u>	<u>455,602</u>	<u>413,613</u>	<u>41,989</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current (Cont'd)				
Support Services (Cont'd)				
Business				
Personal Services				
Salaries	\$ 242,275	\$ 242,275	\$ 242,853	\$ (578)
Employee Benefits	80,944	80,944	78,063	2,881
Purchased Prof. and Tech. Services	8,300	8,300	9,277	(977)
Purchased Property Services	7,500	7,500	1,476	6,024
Other Purchased Services	6,500	6,500	13,633	(7,133)
Supplies	7,500	7,500	11,710	(4,210)
Other Objects	<u>1,250</u>	<u>1,250</u>	<u>1,213</u>	<u>37</u>
Total Business	<u>354,269</u>	<u>354,269</u>	<u>358,225</u>	<u>(3,956)</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	1,722,280	1,722,280	1,801,475	(79,195)
Employee Benefits	573,195	573,195	569,428	3,767
Purchased Prof. and Tech. Services	-	-	1,260	(1,260)
Purchased Property Services	225,500	225,500	205,920	19,580
Other Purchased Services	163,500	163,500	69,039	94,461
Supplies	995,000	995,000	881,756	113,244
Property	104,929	104,929	92,094	12,835
Other Objects	<u>1,200</u>	<u>1,200</u>	<u>225</u>	<u>975</u>
Total Oper. and Maint. of Plant Svcs.	<u>3,785,604</u>	<u>3,785,604</u>	<u>3,621,197</u>	<u>164,407</u>
Student Transportation Services				
Personal Services				
Salaries	20,314	20,314	20,590	(276)
Employee Benefits	4,703	4,703	4,758	(55)
Purchased Prof. and Tech. Services	1,025	1,025	967	58
Other Purchased Services	2,061,850	2,061,850	1,990,689	71,161
Supplies	<u>-</u>	<u>-</u>	<u>112</u>	<u>(112)</u>
Total Student Transportation Services	<u>2,087,892</u>	<u>2,087,892</u>	<u>2,017,116</u>	<u>70,776</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current (Cont'd)				
Support Services (Cont'd)				
Central				
Personal Services				
Salaries	\$ 304,625	\$ 304,625	\$ 321,738	\$ (17,113)
Employee Benefits	100,378	100,378	100,762	(384)
Purchased Prof. and Tech. Services	600	600	1,043	(443)
Purchased Property Services	63,000	61,037	51,750	9,287
Other Purchased Services	3,000	5,500	7,067	(1,567)
Supplies	18,500	22,900	24,022	(1,122)
Property	<u>78,000</u>	<u>63,110</u>	<u>53,604</u>	<u>9,506</u>
Total Central	<u>568,103</u>	<u>558,150</u>	<u>559,986</u>	<u>(1,836)</u>
Other				
Other Purchased Services	<u>48,000</u>	<u>48,000</u>	<u>47,500</u>	<u>500</u>
Total Support Services	<u>12,718,330</u>	<u>12,708,491</u>	<u>12,270,543</u>	<u>437,948</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	599,636	599,636	583,213	16,423
Employee Benefits	122,395	122,395	109,349	13,046
Purchased Prof. and Tech Services	24,000	24,000	25,000	(1,000)
Purchased Property Services	21,500	21,500	14,783	6,717
Other Purchased Services	168,724	167,715	187,138	(19,423)
Supplies	124,835	124,975	112,790	12,185
Other Objects	<u>17,150</u>	<u>17,680</u>	<u>10,041</u>	<u>7,639</u>
Total Student Activities	<u>1,078,240</u>	<u>1,077,901</u>	<u>1,042,314</u>	<u>35,587</u>
Community Services				
Supplies	<u>-</u>	<u>-</u>	<u>65</u>	<u>(65)</u>
Total Noninstructional Services	<u>1,078,240</u>	<u>1,077,901</u>	<u>1,042,379</u>	<u>35,522</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Debt Service				
Interest	\$ -	\$ -	\$ 705	\$ (705)
Refunds of Prior Year's Receipts	75,000	75,000	353	74,647
Redemption of Principal	<u>-</u>	<u>-</u>	<u>25,519</u>	<u>(25,519)</u>
Total Debt Service	<u>75,000</u>	<u>75,000</u>	<u>26,577</u>	<u>48,423</u>
Total Expenditures	<u>37,724,816</u>	<u>37,724,816</u>	<u>37,178,356</u>	<u>546,460</u>
Other Financing Uses				
Fund Transfers				
Debt Service Fund	5,030,750	5,030,750	5,030,750	-
Capital Projects Fund	148,000	148,000	848,000	(700,000)
Budgetary Reserve	<u>130,000</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
Total Other Financing Uses	<u>5,308,750</u>	<u>5,308,750</u>	<u>5,878,750</u>	<u>(570,000)</u>
Total Expenditures and Other Financing Uses	<u>43,033,566</u>	<u>43,033,566</u>	<u>43,057,106</u>	<u>(23,540)</u>
Net Change in Fund Balance	(436,070)	(436,070)	(297,029)	139,041
Fund Balance - July 1, 2012	<u>9,730,509</u>	<u>9,730,509</u>	<u>10,987,513</u>	<u>1,257,004</u>
Fund Balance - June 30, 2013	<u>\$ 9,294,439</u>	<u>\$ 9,294,439</u>	<u>\$ 10,690,484</u>	<u>\$ 1,396,045</u>

Hampton Township School District
Note to Required Supplementary Information
Budget Comparison
June 30, 2013

Note 1 - Budgetary Information

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

**Hampton Township School District
 Required Supplementary Information
 Other Post-Employment Benefits
 June 30, 2013**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/08	\$ -	\$2,649,821	\$2,649,821	0.0%	\$20,646,769	12.83%
07/01/10	-	3,185,932	3,185,932	0.0%	21,844,481	14.58%
07/01/12	-	2,497,860	2,497,800	0.0%	22,194,789	11.25%

**SUPPLEMENTARY
INFORMATION SECTION**

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS

The capital projects fund is used for the acquisition or construction of capital facilities or equipment.

PERMANENT FUNDS

The permanent funds are used to account for assets held by the School District to a trust agreement. The earnings are to be used for specific school programs.

FIDUCIARY FUND

Agency Fund - This fund allows for assets held as an agent for various student activities.

**Hampton Township School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	<u>\$737,757</u>	<u>\$21,884</u>	<u>\$759,641</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ <u>8,081</u>	\$ _____	\$ <u>8,081</u>
Fund Balances			
Nonspendable	-	20,400	20,400
Restricted	-	1,484	1,484
Committed	<u>729,676</u>	_____	<u>729,676</u>
Total Fund Balances	<u>729,676</u>	<u>21,884</u>	<u>751,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$737,757</u>	<u>\$21,884</u>	<u>\$759,641</u>

**Hampton Township School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ <u>15</u>	\$ <u>2</u>	\$ <u>17</u>
Expenditures			
Current			
Noninstructional Services	-	2	2
Capital Outlay	<u>360,676</u>	<u>-</u>	<u>360,676</u>
Total Expenditures	<u>360,676</u>	<u>2</u>	<u>360,678</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(360,661)</u>	<u>-</u>	<u>(360,661)</u>
Other Financing Sources (Uses)			
Transfers In	<u>848,000</u>	<u>-</u>	<u>848,000</u>
Net Change in Fund Balances	487,339	-	487,339
Fund Balance - July 1, 2012	<u>242,337</u>	<u>21,884</u>	<u>264,221</u>
Fund Balance - June 30, 2013	<u>\$ 729,676</u>	<u>\$ 21,884</u>	<u>\$ 751,560</u>

Hampton Township School District
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2013

	Balance 07/01/12	Additions	Deductions	Balance 06/30/13
Activities Fund				
Assets				
Cash and Cash Equivalents	<u>\$114,153</u>	<u>\$246,794</u>	<u>\$248,829</u>	<u>\$112,118</u>
Liabilities				
Other Current Liabilities	<u>\$114,153</u>	<u>\$246,794</u>	<u>\$248,829</u>	<u>\$112,118</u>

**STATISTICAL
SECTION**

FINANCIAL TREND DATA

These schedules contain trend information to assist the reader in understanding how the District's financial performance has changed over time.

Table 1

HAMPTON TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in capital assets, net of related debt	(2,371,596)	(3,073,602)	(3,693,812)	(4,652,355)	(5,537,165)	(5,801,989)	(3,512,445)	(5,181,505)	(4,886,788)	(2,587,682)
Restricted	20,599	20,860	21,351	78,587	78,783	22,264	210,391	567,483	21,884	21,884
Unrestricted	<u>2,611,095</u>	<u>3,653,409</u>	<u>5,615,065</u>	<u>8,770,212</u>	<u>10,951,847</u>	<u>10,715,929</u>	<u>1,013,640</u>	<u>5,172,052</u>	<u>4,573,287</u>	<u>3,836,079</u>
Total Governmental Activities Net Position	260,098	600,667	1,942,604	4,196,444	5,493,465	4,936,204	(2,288,414)	558,030	(291,617)	1,270,281
Business - Type Activities										
Invested in capital assets, net of related debt	7,569	6,069	57,048	52,012	58,222	68,183	79,056	91,394	89,356	96,682
Unrestricted	<u>(25,480)</u>	<u>(55,108)</u>	<u>(54,361)</u>	<u>(9,207)</u>	<u>56,022</u>	<u>44,731</u>	<u>148,635</u>	<u>216,673</u>	<u>298,814</u>	<u>345,927</u>
Total Business - Type Activities Net Position	(17,911)	(49,039)	2,687	42,805	114,244	112,914	227,691	308,067	388,170	442,609
Total Primary Government										
Invested in capital assets, net of related debt	(2,364,027)	(3,067,533)	(3,636,764)	(4,600,343)	(5,478,943)	(5,733,806)	(3,433,389)	(5,090,111)	(4,797,432)	(2,491,000)
Restricted	20,599	20,860	21,351	78,587	78,783	22,264	210,391	567,483	21,884	21,884
Unrestricted	<u>2,585,615</u>	<u>3,598,301</u>	<u>5,560,704</u>	<u>8,761,005</u>	<u>11,007,869</u>	<u>10,760,660</u>	<u>1,162,275</u>	<u>5,388,725</u>	<u>4,872,101</u>	<u>4,182,006</u>
Total Primary Government Net Position	<u>242,187</u>	<u>551,628</u>	<u>1,945,291</u>	<u>4,239,249</u>	<u>5,607,709</u>	<u>5,049,118</u>	<u>(2,060,723)</u>	<u>866,097</u>	<u>96,553</u>	<u>1,712,890</u>

Source: District Financial Reports

Table 2

HAMPTON TOWNSHIP SCHOOL DISTRICT
Expenses, Program Revenues and Net (Expense) / Revenue
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
Instruction	20,740,455	21,466,328	22,150,583	22,783,167	23,777,886	24,218,079	23,976,629	24,952,692	24,254,511	26,039,315
Instructional Student Support	1,944,572	2,103,182	2,024,654	2,236,309	2,395,676	2,371,672	2,274,767	2,460,798	2,499,327	2,620,825
Administrative and Financial Support	2,511,962	2,732,831	3,031,453	3,231,827	3,595,772	3,624,420	3,651,599	3,595,493	3,851,404	4,152,979
Operation and Maintenance of Plant	3,047,680	3,140,060	3,117,306	3,527,392	3,444,710	3,591,400	4,053,972	4,099,330	4,042,035	4,143,134
Pupil Transportation	1,733,114	1,646,621	1,719,512	1,719,236	1,813,142	1,889,752	1,819,691	1,934,158	2,057,909	2,017,116
Student Activities	878,386	1,068,051	982,766	1,035,196	1,076,299	1,183,141	1,199,796	1,214,667	1,158,129	1,169,924
Community Services	-	-	-	-	-	-	1,761	5,200	2,171	65
Interest on long term debt	3,088,327	3,054,222	2,993,053	2,758,813	2,948,458	3,451,636	3,035,643	2,992,486	2,919,253	2,853,487
Total Governmental Activities Expense	33,944,496	35,211,295	36,019,327	37,291,940	39,051,943	40,330,100	40,013,858	41,254,824	40,784,739	42,996,845
Business - Type Activities										
Food Service	1,040,621	987,057	959,470	1,069,884	1,086,218	1,120,031	1,126,774	1,148,213	1,189,299	1,185,120
Total Primary Government Expenses	34,985,117	36,198,352	36,978,797	38,361,824	40,138,161	41,450,131	41,140,632	42,403,037	41,974,038	44,181,965
Program Revenues										
Governmental Activities										
Charges for Services										
Operation and Maintenance of Plant	63,306	-	-	-	-	-	-	-	-	-
Operating grants and contributions	3,743,534	4,015,761	4,205,187	4,637,497	5,316,520	4,745,016	5,550,790	6,491,928	5,128,784	5,716,137
Capital grants and contributions	614,578	535,353	502,763	453,494	367,143	480,899	1,085,453	867,994	1,035,956	695,693
Total Governmental Activities Revenues	4,421,418	4,551,114	4,707,950	5,090,991	5,683,663	5,225,915	6,636,243	7,359,922	6,164,740	6,411,830
Business - Type Activities										
Charges for Services										
Food Service	840,258	730,317	768,789	855,350	893,340	944,174	950,965	936,982	972,331	919,745
Operating grants and contributions	210,435	225,612	242,407	254,652	264,317	274,527	290,586	291,607	297,071	319,814
Total Business - Type Activities	1,050,693	955,929	1,011,196	1,110,002	1,157,657	1,218,701	1,241,551	1,228,589	1,269,402	1,239,559
Total Primary Government Program Revenues	5,472,111	5,507,043	5,719,146	6,200,993	6,841,320	6,444,616	7,877,794	8,588,511	7,434,142	7,651,389
Net (Expense) / Revenue										
Total Primary government net expense	(29,513,006)	(30,691,309)	(31,259,651)	(32,160,831)	(33,296,841)	(35,005,515)	(33,262,838)	(33,814,526)	(34,539,896)	(36,530,576)

Source: District Financial Reports

Table 3

HAMPTON TOWNSHIP SCHOOL DISTRICT
General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense) / Revenue										
Governmental Activities	(29,523,078)	(30,660,181)	(31,311,377)	(32,200,949)	(33,368,280)	(35,104,185)	(33,377,615)	(33,894,902)	(34,619,999)	(36,585,015)
Business - Type Activities	10,072	(31,128)	51,726	40,118	71,439	98,670	114,777	80,376	80,103	54,439
Total Primary government net expense	(29,513,006)	(30,691,309)	(31,259,651)	(32,160,831)	(33,296,841)	(35,005,515)	(33,262,838)	(33,814,526)	(34,539,896)	(36,530,576)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Property Taxes	21,774,585	23,263,220	24,411,463	24,852,713	25,400,476	24,898,507	25,714,324	26,057,138	26,648,641	26,614,766
Earned Income Tax	2,424,153	2,736,081	2,923,443	3,048,386	3,353,897	2,974,761	3,158,898	3,781,364	3,335,190	3,824,345
Other Current Taxes	406,653	464,127	417,248	509,623	419,894	334,359	367,230	330,561	378,847	356,922
Grants & Contributions not Restricted	4,084,805	4,183,133	4,272,293	4,440,344	4,519,095	5,514,454	5,204,215	4,950,063	5,466,534	5,486,494
Investment Earnings	2,615,368	227,630	513,426	831,626	900,907	645,468	(1,075,357)	1,570,582	(2,136,017)	1,814,958
Other	5,178	126,559	115,441	85,351	71,032	79,375	34,932	51,638	77,157	49,428
Special Item	-	-	-	686,746	-	-	-	-	-	-
Transfers	-	-	-	-	-	100,000	-	-	-	-
Total Governmental Activities Revenues	31,310,742	31,000,750	32,653,314	34,454,789	34,665,301	34,546,924	33,404,242	36,741,346	33,770,352	38,146,913
Business - Type Activities										
Investment Earnings	276	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(100,000)	-	-	-	-
Total Business-Type Activities	-	-	-	-	-	(100,000)	-	-	-	-
Total Primary Government	31,311,018	31,000,750	32,653,314	34,454,789	34,665,301	34,446,924	33,404,242	36,741,346	33,770,352	38,146,913
Change in Net Position										
Governmental Activities	1,787,664	340,569	1,341,937	2,253,840	1,297,021	(557,261)	26,627	2,846,444	(849,647)	1,561,898
Business - Type Activities	10,348	(31,128)	51,726	40,118	71,439	(1,330)	114,777	80,376	80,103	54,439
Total Primary Government	1,798,012	309,441	1,393,663	2,293,958	1,368,460	(558,591)	141,404	2,926,820	(769,544)	1,616,337

Source: District Financial Reports

Table 4

HAMPTON TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	252,581	267,344	872,270	876,068	859,799	953,489	898,774	-	-	-
Unreserved,										
Designated	-	-	-	-	-	2,314,000	3,950,000	-	-	-
Undesignated	1,977,901	2,647,572	3,783,854	4,873,570	5,195,412	3,015,768	3,022,072	-	-	-
Nonspendable	-	-	-	-	-	-	-	320,501	317,288	325,924
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	5,000,000	4,932,000	6,781,000
Assigned	-	-	-	-	-	-	-	-	-	3,908
Unassigned	-	-	-	-	-	-	-	4,326,415	5,738,225	3,579,652
Total General Fund	2,230,482	2,914,916	4,656,124	5,749,638	6,055,211	6,283,257	7,870,846	9,646,916	10,987,513	10,690,484
All Other Governmental Funds										
Reserved	20,599	60,201	21,351	78,587	6,208,970	743,945	380,134	-	-	-
Unreserved -										
Designated for Capital Projects										
Reported in Capital Projects Funds	799,500	711,598	776,989	2,950,545	4,984,361	3,756,369	921,183	-	-	-
Nonspendable	-	-	-	-	-	-	-	20,400	20,400	20,400
Restricted	-	-	-	-	-	-	-	160,555	1,484	1,484
Committed	-	-	-	-	-	-	-	1,083,254	787,110	1,320,773
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other Governmental Funds	820,099	771,799	798,340	3,029,132	11,193,331	4,500,314	1,301,317	1,264,209	808,994	1,342,657

Note: Beginning with the 2010-2011 fiscal year, the Hampton Township School District implemented GASB Statement 54: "Fund Balance Reporting and Governmental Fund Type Definitions. The implementation changed the disclosure and terminology used to categorize fund balances.

Source: District Financial Reports

Table 5

HAMPTON TOWNSHIP SCHOOL DISTRICT
Governmental Funds Revenues
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Local Sources										
Real Estate Tax	21,376,879	22,345,992	23,664,953	23,897,894	24,404,423	23,860,559	24,567,399	24,998,024	25,742,986	25,825,296
Earned Income Tax	2,212,912	2,597,290	2,667,087	2,874,304	3,190,970	2,873,641	3,030,789	3,636,003	3,202,347	3,753,476
Other Local Taxes	1,555,631	1,407,000	1,294,817	1,771,231	1,943,100	1,665,320	1,629,233	1,765,518	1,336,736	1,187,613
Interest Earnings	94,022	227,630	530,205	831,626	1,116,567	645,468	134,430	73,175	39,358	45,958
Other Local Sources	<u>2,885,734</u>	<u>465,040</u>	<u>422,773</u>	<u>384,763</u>	<u>523,744</u>	<u>504,740</u>	<u>852,203</u>	<u>780,443</u>	<u>551,334</u>	<u>536,301</u>
Total Local Sources	<u>28,125,178</u>	<u>27,042,952</u>	<u>28,599,835</u>	<u>29,759,818</u>	<u>31,178,804</u>	<u>29,549,728</u>	<u>30,214,054</u>	<u>31,253,163</u>	<u>30,872,761</u>	<u>31,348,644</u>
State Sources										
Basic Education Subsidy	4,072,485	4,154,099	4,237,181	4,385,512	4,476,415	4,608,256	4,143,502	4,037,114	4,608,256	4,608,210
Special Education Subsidy	1,328,300	1,328,240	1,388,192	1,407,564	1,418,868	1,439,883	1,456,621	1,448,222	1,448,222	1,448,222
Other State Subsidies	<u>2,592,364</u>	<u>2,782,143</u>	<u>2,778,343</u>	<u>3,078,966</u>	<u>3,380,121</u>	<u>3,807,371</u>	<u>4,435,931</u>	<u>4,289,752</u>	<u>4,553,679</u>	<u>4,680,984</u>
Total State Sources	<u>7,993,149</u>	<u>8,264,482</u>	<u>8,403,716</u>	<u>8,872,042</u>	<u>9,275,404</u>	<u>9,855,510</u>	<u>10,036,054</u>	<u>9,775,088</u>	<u>10,610,157</u>	<u>10,737,416</u>
Federal Sources										
Other Federal Sources	<u>153,864</u>	<u>131,284</u>	<u>252,416</u>	<u>354,921</u>	<u>468,892</u>	<u>459,494</u>	<u>986,569</u>	<u>1,803,992</u>	<u>546,140</u>	<u>674,035</u>
Total Federal Sources	<u>153,864</u>	<u>131,284</u>	<u>252,416</u>	<u>354,921</u>	<u>468,892</u>	<u>459,494</u>	<u>986,569</u>	<u>1,803,992</u>	<u>546,140</u>	<u>674,035</u>
Total Revenues	<u>36,272,191</u>	<u>35,438,718</u>	<u>37,255,967</u>	<u>38,986,781</u>	<u>40,923,100</u>	<u>39,864,732</u>	<u>41,236,677</u>	<u>42,832,243</u>	<u>42,029,058</u>	<u>42,760,095</u>

Source: District Financial Reports

Table 6

HAMPTON TOWNSHIP SCHOOL DISTRICT
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Instruction										
Regular Programs	14,846,902	15,446,849	15,932,259	16,383,083	17,526,961	17,163,503	17,394,823	17,960,807	18,726,894	19,910,625
Special Programs	3,412,679	3,566,268	3,652,525	3,911,429	3,905,622	3,827,517	3,849,039	4,045,812	3,397,760	3,408,320
Vocational Education Programs	676,897	616,737	655,084	664,143	689,461	731,688	864,048	996,154	329,114	498,479
Other Instructional Programs	88,851	88,066	91,074	83,186	86,282	99,814	94,305	89,797	17,953	7,318
Nonpublic School Programs							9,665	15,076	11,869	14,115
Support Services										
Pupil Personnel	914,473	983,181	906,165	1,017,844	1,010,492	1,015,672	959,770	1,043,243	1,035,206	1,099,268
Instructional Staff	718,862	784,969	765,422	846,427	974,308	937,647	936,357	1,029,282	1,074,732	1,114,950
Administration	1,927,936	2,020,183	2,193,928	2,414,211	2,667,375	2,681,591	2,686,232	2,778,205	2,823,222	3,038,688
Pupil Health	292,197	318,630	342,729	368,543	404,446	409,206	373,792	388,315	388,458	413,613
Business	312,831	325,191	338,062	386,600	345,470	340,491	351,306	369,815	325,753	358,225
Operation & Maint. of Plant Services	2,847,344	3,164,159	3,071,219	3,675,534	4,348,928	4,244,002	3,896,905	4,187,484	3,497,585	3,621,197
Pupil Transportation	1,600,221	1,639,941	1,714,466	1,714,189	1,809,350	1,887,215	1,817,154	1,932,890	2,057,909	2,017,116
Central Services	200,970	311,040	384,090	325,887	412,482	496,456	513,676	681,399	579,463	559,986
Other Support Services	36,289	38,844	39,835	42,437	44,254	46,453	47,777	48,620	47,195	47,500
Non Instructional Services										
Student Activities	757,085	945,821	871,476	917,732	978,279	1,056,097	1,073,353	1,141,832	1,028,078	1,042,316
Community Services	-	-	-	-	-	-	1,761	5,200	2,171	65
Capital Outlay *	3,238,180	63,304	187,338	301,439	2,589,996	8,113,965	3,255,959	698,916	779,477	360,676
Debt Service										
Principal	1,295,000	1,335,000	1,380,000	1,430,000	1,545,000	1,770,858	1,886,937	1,923,071	2,190,000	2,335,519
Swaption Termination Fees**	-	-	-	-	-	-	-	2,354,000	-	-
Interest	2,978,499	2,938,364	2,948,660	2,813,368	3,072,639	3,311,546	2,814,277	2,683,807	2,827,052	2,675,132
Refund of Prior Year's Receipts	169,389	216,037	13,886	124,442	45,539	170,636	21,513	9,562	4,585	353
Total Expenditures	36,314,605	34,802,584	35,488,218	37,420,494	42,456,884	48,304,357	42,848,649	44,383,287	41,144,476	42,523,461
Debt Service as a Percentage of non capital*** expenditures										
	12.92%	12.30%	12.26%	11.43%	11.58%	12.37%	12.00%	10.55%	12.47%	11.94%

* - Capital Outlay decreased subsequent to the fiscal year ending June 30, 2004 due to the completion of the Middle School construction project and increased for the fiscal years ending June 30, 2007 and June 30, 2008 for the Poff Elementary renovation project.

** - The Swaption Termination fee was a nonrecurring fee paid to terminate the District's 2005 swaption in March 2011.

*** - Non Capital expenditures include capital assets in the various functional categories.

Source: District Financial Reports

Table 7

HAMPTON TOWNSHIP SCHOOL DISTRICT
Other Financing Sources and Uses and Net Change in Fund Balance
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess of Revenues Over (Under) Expenditures	(42,414)	636,134	1,767,749	1,566,287	(1,533,784)	(8,439,625)	(1,611,972)	(1,551,044)	884,582	236,634
Other Financing Sources (Uses)										
Long Term Debt Issued	-	-	9,930,000	16,257,016	34,128,556	7,663,762	-	12,682,906	-	-
Long Term Debt Retired	-	-	(9,930,000)	(15,196,973)	(24,125,000)	(5,789,108)	-	(9,395,000)	-	-
Sale of Fixed Assets	21,500	-	-	4,960	-	-	564	2,100	800	-
Operating Transfers In	9,185,903	5,323,364	4,604,892	6,044,533	5,916,389	5,277,665	4,947,535	5,820,394	5,315,000	5,878,750
Operating Transfers Out	(9,185,903)	(5,323,364)	(4,604,892)	(6,044,533)	(5,916,389)	(5,177,665)	(4,947,535)	(5,820,394)	(5,315,000)	(5,878,750)
Total Other Financing Sources (Uses)	21,500	-	-	1,065,003	10,003,556	1,974,654	564	3,290,006	800	-
Special Item	-	-	-	693,016	-	-	-	-	-	-
Net Change in Governmental Fund Balance	(20,914)	636,134	1,767,749	3,324,306	8,469,772	(6,464,971)	(1,611,408)	1,738,962	885,382	236,634

Source: District Financial Reports

REVENUE CAPACITY STATISTICS

These schedules contain information to assist the reader in assessing the District's ability to generate tax revenue.

HAMPTON TOWNSHIP SCHOOL DISTRICT
Real Estate Tax Levy and Collection History
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Tax Rate</u>	<u>Total Tax Levy</u>	<u>Taxes Collected In Current Fiscal Year</u>	<u>Percent of Levy Collected In Current Fiscal Year</u>	<u>Taxes Collected in Subsequent Years</u>	<u>Total Taxes Collected to Date</u>	<u>Percent of Levy Collected to Date</u>
2013 (1)	21.35	\$27,044,689	\$25,822,231	95.48%	N/A	\$25,822,231	95.48%
2012 (1)	21.35	26,944,776	25,715,701	95.44%	304,916	26,020,617	96.57%
2011 (1)	20.88	26,018,630	24,867,448	95.58%	544,845	25,412,293	97.67%
2010 (1)	20.88	25,742,981	24,500,905	95.18%	716,365	25,217,270	97.96%
2009 (1)	20.53	24,924,430	23,705,681	95.11%	947,671	24,653,352	98.91%
2008	20.53	25,306,021	24,052,946	95.05%	1,029,577	25,082,523	99.12%
2007	20.53	25,016,096	23,804,688	95.16%	1,054,852	24,859,540	99.37%
2006	20.53	24,242,885	23,333,594	96.25%	985,341	24,318,935	100.31% (2)
2005	20.10	23,479,779	22,345,992	95.17%	899,184	23,245,176	99.00%
2004	19.25	22,456,960	21,376,879	95.19%	843,134	22,220,013	98.94%

The sum of the taxes collected and the taxes lien do not equal the taxes levied because of penalties assessed, discounts received and Allegheny County real estate change orders.

Tax rate is expressed in mills. One mill of tax is equal to \$1.00 for every \$1,000 of assessed property value.

(1) - The District's Total tax levy for the years ended June 30, 2013, June 30, 2012, June 30, 2011, June 30, 2010 and June 30, 2009 was reduced by the Commonwealth of Pennsylvania's Property Tax Relief Program. The Commonwealth distributed the following amounts to the School District for property tax relief to its residents. The property tax relief was in the form of a homestead/farmstead exclusion to the resident's taxable assessed value.

<u>Year Ending</u>	<u>Total Property Tax Distribution to District</u>	<u>Property Tax Relief per Approved Property</u>
June 30, 2013	\$858,284	\$156
June 30, 2012	858,278	157
June 30, 2011	859,492	159
June 30, 2010	858,726	161
June 30, 2009	859,427	165

(2) - The total percent of levy to date for the 2006 tax year exceeds 100% due to subsequent additional billings after the lien date of December 31, 2006

Source: District Tax Assessment Records

Table 9

HAMPTON TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	Residential <u>Property</u>	Commercial <u>Property</u>	Total Assessed <u>Value</u>	School District Millage <u>Rate (a)</u>
2013	\$1,148,012,947	\$155,295,790	\$1,303,308,737	21.35
2012	1,153,095,689	149,155,100	1,302,250,789	21.35
2011	1,140,026,197	147,240,230	1,287,266,427	20.88
2010	1,126,774,601	147,240,230	1,274,014,831	20.88
2009	1,106,340,531	149,060,040	1,255,400,571	20.53
2008	1,088,501,722	144,134,490	1,232,636,212	20.53
2007	1,073,361,412	145,152,780	1,218,514,192	20.53
2006	1,038,301,136	142,550,540	1,180,851,676	20.53
2005	1,029,363,622	138,784,610	1,168,148,232	20.10
2004	1,035,529,925	131,065,400	1,166,595,325	19.25

Property is assessed at full market value

(a) - Tax rate is expressed in mills. One mill of tax is equal to \$1.00 for every \$1,000 of assessed property value

Source: District Tax Assessment Records

Table 10

HAMPTON TOWNSHIP SCHOOL DISTRICT
Construction Costs and Property Values
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Number of Permits</u>	<u>Commercial Cost</u>	<u>Residential Cost</u>	<u>Total Cost</u>	<u>Taxable Property value</u>
2012	21	\$1,196,514	\$5,578,000	\$6,774,514	\$1,303,308,737
2011	11	42,000	3,329,400	3,371,400	1,302,250,789
2010	20	300,000	5,447,752	5,747,752	1,287,266,427
2009	22	1,380,000	5,007,315	6,387,315	1,274,014,831
2008	47	0	10,297,476	10,297,476	1,255,400,571
2007	54	11,799,638	450,000	12,249,638	1,232,636,212
2006	74	1,645,500	13,035,935	14,681,435	1,218,514,192
2005	104	2,931,000	21,004,376	23,935,376	1,180,851,676
2004	78	11,368,000	17,220,549	28,588,549	1,168,148,832
2003	36	5,450,000	9,355,143	14,805,143	1,166,595,325

Data is for new construction only. Additions and alterations are not counted. The cost is the value listed by the Hampton Township building inspector and may not reflect actual value.

Source: Hampton Township Planning / Zoning Commission

Table 11

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Ten Largest Real Estate Taxpayers Comparison
2012-13 Fiscal Year and 2003-04 Fiscal Year**

<u>Name</u>	<u>Type of Property</u>	2012-13	
		<u>Assessment</u>	<u>% of Total Assessment</u>
Coventry Square Associates	Apartments	17,118,400	1.31%
PPG Industries	Office/Research	10,000,000	0.77%
Shoppers Plaza Land Company	Commercial	8,865,500	0.68%
St. Margaret Nursing Home	Medical/Residential	7,728,100	0.59%
Stone Lodge, Inc.	Country Club	4,169,200	0.32%
Allison Park Facility	Medical/Residential	3,800,000	0.29%
Route 8 Holding Co., Inc.	Commercial	3,149,910	0.24%
New Wave Car Wash	Commercial	2,794,400	0.21%
Sierra Properties LP	Commercial	2,500,000	0.19%
Aldi Inc	Retail	2,475,200	0.19%
Total Assessed Value - Ten Principal Taxpayers (2012-13)		<u>\$62,600,710</u>	<u>4.80%</u>

Total District Assessed Value (2012-13) \$1,303,308,737

<u>Name</u>	<u>Type of Property</u>	2003-04	
		<u>Assessment</u>	<u>% of Total Assessment</u>
Coventry Square Associates	Apartments	15,917,470	1.36%
PPG Industries	Office/Research	10,000,000	0.86%
Shoppers Plaza Land Company	Commercial	8,819,700	0.76%
St. Margaret Nursing Home	Medical/Residential	7,728,100	0.66%
Stone Lodge, Inc.	Country Club	4,043,100	0.35%
Route 8 Holding Co., Inc.	Commercial	3,352,000	0.29%
Allison Park Facility LP	Commercial	2,453,100	0.21%
Conceptual Development	Commercial	2,291,500	0.20%
Ebonhurst Apartments	Apartments	1,867,700	0.16%
Hammel, Charles	Residential	1,760,000	0.15%
Total Assessed Value - Ten Principal Taxpayers (2003-04)		<u>\$58,232,670</u>	<u>4.99%</u>

Total District Assessed Value (2003-04) \$1,166,595,325

Source: District Tax Assessment Records

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year Ended <u>June 30,</u>	Hampton Township School <u>District</u>	-----Overlapping Rates-----		Total Direct & Overlapping <u>Rates</u>
		<u>Hampton Township</u>	<u>Allegheny County</u>	
2013	21.35	2.4026 (a)	4.73 (a)	28.4826
2012	21.35	2.5045	5.69	29.5445
2011	20.88	2.5045	4.69	28.0745
2010	20.88	2.5045	4.69	28.0745
2009	20.53	2.5045	4.69	27.7245
2008	20.53	2.2805	4.69	27.5005
2007	20.53	2.1600	4.69	27.3800
2006	20.53	2.1600	4.69	27.3800
2005	20.10	2.0000	4.69	26.7900
2004	19.25	2.1500	4.69	26.0900

Tax rate is expressed in mills. One mill of tax is equal to \$1.00 for every \$1,000 of assessed property value.

(a) - The year ended June 30, 2013 tax rates for Hampton Township and Allegheny County include the 2013 Allegheny County reassessment values. The year ended June 30, 2013 Hampton Township School District rate is still based on the 2012 Assessed Value. This is because the Township and County fiscal years end on December 31st and the School District's fiscal year ends June 30th. The year ended June 30, 2014 Hampton Township School District millage rate was calculated using the 2013 Allegheny County reassessment values.

Table 13

HAMPTON TOWNSHIP SCHOOL DISTRICT
Major Employers within the School District Comparison
2012-13 Fiscal Year and 2003-04 Fiscal Year

<u>Employer Name</u>	<u>Product or Service</u>	Approximate	Percent of Total	Approximate	Percent of Total
		<u>Employment</u>	<u>Employment</u>	<u>Employment</u>	<u>Employment</u>
		<u>2012-13</u>	<u>2012-13</u>	<u>2003-04</u>	<u>2003-04</u>
Hampton Township School District	Public Education	578	9.3%	421	7.3%
PPG Industries	Office / Research	313	5.0%	450	7.8%
Miller Electric Construction	Construction / Contracting	168	2.7%	N/A	N/A
Township of Hampton	Government	162	2.6%	65	1.1%
Home Depot	Retail	156	2.5%	N/A	N/A
Wildwood Golf Club	Country Club	156	2.5%	N/A	N/A
Uhl Construction	Construction / Contracting	121	2.0%	N/A	N/A
Nathan Contracting	Construction / Contracting	113	1.8%	N/A	N/A
Eat 'n Park	Restaurant	106	1.7%	N/A	N/A
Wildwood Peddler Fair	Warehouse / Other	94	1.5%	N/A	N/A
Approximate District-Wide Employment		6,200		5,800	

Source: Earned Income Tax and Local Services Tax Reports

Note: Differences in employment numbers are due to a change in the source of the employees from the Occupation Privilege Tax to the Local Services Tax in 2006. The Local Services Tax has fewer exemptions than the Occupational Privilege Tax and therefore the report includes more seasonal and part time employees than were included previously.

DEBT CAPACITY STATISTICS

These schedules present information to assist the reader in assessing the amount of the District's debt and the District's ability to issue future debt.

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Outstanding Debt Analysis
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Capital Leases Outstanding	Governmental Activities General Obligation Bonds & Notes Outstanding	General Obligation Bonds, Notes & Capital Leases Outstanding as a Percent of Personal Income (a)	Ratio of Bonds, Notes & Capital Leases Outstanding to Assessed Value (b)	Bonds, Notes & Capital Leases Outstanding Per Capita (c,d)
2013	\$0	\$64,111,570	8.54%	4.92%	\$3,491 (d)
2012	25,519	66,288,580	10.35%	5.09%	3,611 (d)
2011	49,784	68,440,730	9.42%	5.32%	3,730 (d)
2010	72,855	67,681,094	11.18%	5.32%	3,690 (d)
2009	94,792	69,432,517	11.69%	5.54%	3,786 (d)
2008	115,650	69,074,147	10.31%	5.61%	3,768 (d)
2007	-	60,476,561	9.92%	4.96%	3,293 (d)
2006	-	60,084,324	10.28%	5.09%	3,272 (d)
2005	-	61,331,741	11.21%	5.25%	3,499 (c)
2004	-	62,543,148	12.90%	5.36%	3,569 (c)

(a) - District Personal Income is calculated based on annual current earned income tax collections

(b) - Annual Assessed Value data is detailed in Table 9

(c) - Population data from 2000 Census - District population was 17,526

(d) - Population data from 2010 Census - District population was 18,363

Source: District Financial Reports, United States Census Data

HAMPTON TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year Ending June 30.									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Borrowing Base Revenues	\$93,501,718	\$100,313,896	\$106,719,542	\$109,491,502	\$119,848,117	\$122,367,197	\$123,680,197	\$127,503,433	\$127,816,387	\$132,332,653
Average borrowing Base (total revenues divided by 3)	\$31,167,239	\$33,437,965	\$35,573,181	\$36,497,167	\$39,949,372	\$40,789,066	\$41,226,732	\$42,501,144	\$42,605,462	\$44,110,884
Multiplied by Debt Limit Percentage	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>	<u>x225%</u>
Equals: Debt Limit	\$70,126,289	\$75,235,422	\$80,039,657	\$82,118,627	\$89,886,088	\$91,775,398	\$92,760,148	\$95,627,575	\$95,862,290	\$99,249,490
Total District Debt applicable to Limit (1)	<u>\$62,543,148</u>	<u>\$61,331,741</u>	<u>\$60,084,324</u>	<u>\$60,476,561</u>	<u>\$69,074,147</u>	<u>\$69,432,517</u>	<u>\$67,681,094</u>	<u>\$68,440,730</u>	<u>\$66,288,580</u>	<u>\$64,111,570</u>
Legal Debt Margin	<u>\$7,583,141</u>	<u>\$13,903,681</u>	<u>\$19,955,333</u>	<u>\$21,642,066</u>	<u>\$20,811,941</u>	<u>\$22,342,881</u>	<u>\$25,079,054</u>	<u>\$27,186,845</u>	<u>\$29,573,710</u>	<u>\$35,137,920</u>
Legal Debt Margin as a Percentage of Debt Limit	10.81%	18.48%	24.93%	26.35%	23.15%	24.35%	27.04%	28.43%	30.85%	35.40%

(1) - The Pennsylvania "Local Government Unit Debt Act" uses gross debt for calculation of the legal debt margin.

Source: District Financial Reports

HAMPTON TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Government Debt
as of June 30, 2013

Governmental Unit	Debt Outstanding	Percentage Applicable to School District Residents	Estimated Share of Direct and Overlapping Debt
Overlapping Debt			
Township of Hampton (a)	\$16,434,657	100.00%	\$16,434,657
County of Allegheny (a)	\$861,312,217	2.203% (b)	<u>\$18,976,671</u>
	Subtotal of Overlapping Debt		\$35,411,328
Direct Debt			
Hampton Township School District Bonds, Notes and Capital Lease, net of Bond Discount, Premium and Adjustments			<u>\$64,111,570</u>
Total Direct and Overlapping Debt			<u>\$99,522,898</u>
Ratio of Total Direct and Overlapping Debt Percentage of Real Estate Assessed Value Per Capita (c)			7.64% \$5,420

(a) Township and County Outstanding Debt as of December 31, 2012

(b) County Percentage of Overlapping Debt based on the ratio of School District
Assessed Value (\$1,303,308,737) to County Assessed Value (\$59,154,514,413)

School District Assessed Value data is detailed in Table 9

(c) Population data from 2010 Census - District population was 18,363

Source: School District, Hampton Township and Allegheny County Financial Reports.

DEMOGRAPHIC AND ECONOMIC STATISTICS

These schedules offer demographic and economic indicators to assist the reader in understanding the environment in which the District's financial activities take place.

HAMPTON TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Population (a)	Personal Income (b)	Per Capita Personal Income	Unemployment Rate (c)
2013	18,363	\$750,695,200	\$40,881	7.2%
2012	18,363	640,469,400	34,878	7.5%
2011	18,363	727,200,600	39,601	7.5%
2010	18,363	606,157,800	33,010	7.8%
2009	18,363	574,728,200	31,298	7.4%
2008	18,363	638,194,000	34,754	5.2%
2007	18,363	574,860,800	31,305	4.4%
2006	18,363	537,417,400	29,266	5.0%
2005	17,526	519,458,000	29,639	5.4%
2004	17,526	442,582,400	25,253	5.9%

Source:

(a) Population data from 2000 and 2010 Census - 2000 population was 17,526; 2010 population was 18,363

(b) Personal Income calculated from current earned income tax collections

(c) Unemployment Rate is the June 30th rate for the Pittsburgh Metropolitan Statistical Area

OPERATING STATISTICS

These schedules contain information about the District's operations and resources to assist the reader in understanding how the District's financial information relates to the services that the District provides.

Table 18

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years**

Fiscal Year Ending June 30,	Enrollment	Operating Expenditures (a)	Operating Cost / Student	Total Governmental Expenditures	Gross Cost per Student	Teaching Staff	Pupil to Staff Ratio	Percentage of Students Receiving Free or Reduced Meals
2013	3,087	\$37,152,132	\$12,035	\$42,523,461	\$13,775	208	14.84	10.75%
2012	3,095	35,347,945	11,421	41,144,476	13,294	209	14.81	8.37%
2011	3,090	35,968,614	11,640	44,383,287	14,364	215	14.37	9.18%
2010	3,109	34,659,883	11,148	42,848,649	13,782	218	14.26	8.33%
2009	3,087	34,234,962	11,090	48,304,357	15,648	218	14.16	6.89%
2008	3,085	34,339,211	11,131	42,456,884	13,762	218	14.15	6.31%
2007	3,123	32,645,266	10,453	37,420,494	11,982	217	14.39	6.04%
2006	3,110	30,921,138	9,942	35,488,218	11,411	221	14.07	6.54%
2005	3,159	30,465,832	9,644	34,802,584	11,017	217	14.56	6.47%
2004	3,219	28,802,819	8,948	36,314,605	11,281	217	14.83	7.06%

(a) Operating Expenditures are Total General Fund Expenditures less Debt Service and Fund Transfers

Source: District Records / District Financial Reports

Table 19

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent Employees by Classification
Last Ten Fiscal Years**

Position	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Teachers	217	217	221	217	218	219	218	215	209	208
Paraprofessionals	54	54	50	54	52	50	45	45	42	48
Maintenance / Custodial	40	40	39	39	38	39	40	40	40	40
Secretarial	31	30	31	31	30	30	29	29	29	29
Other	34	31	30	27	29	27	27	26	25	26
Administrators	18	18	18	19	19	19	19	18	18	18
Food Service	<u>26</u>	<u>26</u>	<u>29</u>	<u>29</u>	<u>20</u>	<u>17</u>	<u>14</u>	<u>14</u>	<u>12</u>	<u>12</u>
Total	<u>420</u>	<u>416</u>	<u>418</u>	<u>416</u>	<u>406</u>	<u>401</u>	<u>392</u>	<u>387</u>	<u>375</u>	<u>381</u>

Source: District Records

HAMPTON TOWNSHIP SCHOOL DISTRICT
Instructor Base Salaries
Last Ten Fiscal Years

Fiscal Year Ending June 30,	-----Bachelor's Degree-----		-----Masters Degree-----	
	Step 2	Step 17 (Max)	Step 2	Step 17 (Max)
2013	\$50,537	\$90,335	\$52,787	\$92,585
2012	50,537	90,335	52,787	92,585
2011	49,562	87,295	51,812	89,985
2010	48,612	85,095	50,862	87,785
2009	47,687	82,945	49,937	85,635
2008	46,787	80,820	49,037	83,510
2007	45,887	78,720	48,137	81,410
2006	43,110	76,820	45,360	79,510
2005	40,935	75,070	42,960	77,610
2004	39,385	73,320	41,127	75,710

Note: The Hampton Township School District / Hampton Township Education Association Professional Negotiations Agreement did not specify salaries for 1st year instructors until the year ending June 30, 2008. For consistency purposes with previous years, the "step 2" salary is used.

Source: Hampton Township School District / Hampton Township Education Association Professional Collective Bargaining Agreements

HAMPTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Elementary Schools</u>										
Central Elementary										
Original Construction - 1971; Latest Renovation - 1997										
Square Feet	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000
Capacity	932	932	932	932	932	932	932	932	932	932
Number of Classrooms	32	32	32	32	32	32	32	32	32	32
Enrollment	551	549	520	534	516	513	510	522	513	528
Professional Staff	43	43	38	38	43	38	39	38	37	33
Support Staff	28	26	35	35	25	24	22	22	21	27
Poff Elementary										
Original Construction - 1962; Latest Renovation - 2009										
Square Feet	45,400	45,400	45,400	45,400	45,400	49,000	49,000	49,000	49,000	49,000
Capacity	475	475	475	475	475	475	475	475	475	475
Number of Classrooms	24	24	24	24	24	24	24	24	24	24
Enrollment	379	364	330	336	323	319	329	317	307	272
Professional Staff	27	25	22	22	30	26	29	28	27	26
Support Staff	18	20	24	24	17	16	15	15	15	11
Wyland Elementary										
Original Construction - 1956; Latest Renovation - 1992										
Square Feet	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000	71,000
Capacity	600	600	600	600	600	600	600	600	600	600
Number of Classrooms	29	29	29	29	29	29	29	29	29	29
Enrollment	420	416	423	409	410	410	413	397	419	426
Professional Staff	30	32	24	24	33	33	33	33	33	30
Support Staff	22	17	24	24	16	16	15	15	15	21

Table 21
(Continued)

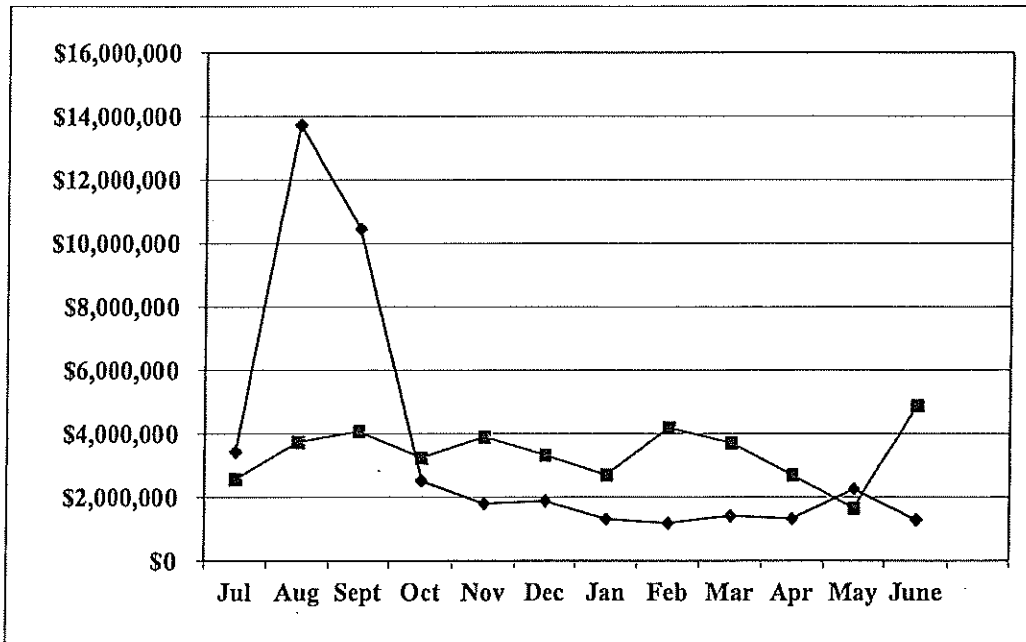
HAMPTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Secondary Schools</u>										
Middle School										
Original Construction - 2003										
Square Feet	144,500	144,500	144,500	144,500	144,500	144,500	144,500	144,500	144,500	144,500
Capacity	900	900	900	900	900	900	900	900	900	900
Number of Classrooms	52	52	52	52	52	52	52	52	52	52
Enrollment	751	725	741	752	771	790	756	759	745	746
Professional Staff	65	64	62	62	69	71	66	67	65	61
Support Staff	34	33	34	33	31	30	28	27	26	26
High School										
Original Construction - 1970 ; Latest Renovation - 2000										
Square Feet	233,000	233,000	233,000	233,000	233,000	233,000	233,000	233,000	233,000	233,000
Capacity	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269	1,269
Number of Classrooms	67	67	67	67	67	67	67	67	67	67
Enrollment	1,118	1,105	1,086	1,092	1,065	1,055	1,101	1,095	1,111	1,115
Professional Staff	83	82	79	79	77	79	83	81	77	81
Support Staff	60	59	57	57	46	48	44	43	41	47
<u>Administration Offices</u>										
Original Construction - 2003										
Square Feet	5,850	5,850	5,850	5,850	5,850	5,850	5,850	5,850	5,850	5,850
Professional Staff	9	9	9	9	10	10	8	7	7	7
Support Staff	9	9	10	9	9	9	10	11	11	11

Source: School District Records

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Cash Flow Analysis
2012-13 General Fund**

<u>Month</u>	<u>Receipts</u>	<u>Disbursements</u>
July	\$3,433,187	\$2,568,671
August	13,718,339	3,736,862
September	10,451,178	4,073,259
October	2,522,698	3,242,183
November	1,801,849	3,904,499
December	1,886,709	3,326,356
January	1,315,828	2,703,171
February	1,187,313	4,183,650
March	1,414,038	3,712,147
April	1,326,614	2,694,690
May	2,258,722	1,649,529
June	<u>1,288,047</u>	<u>4,882,000</u>
Total	<u>\$42,604,522</u>	<u>\$40,677,017</u>



Receipts are highest in the months of August and September, due to real estate tax collections

Disbursements are highest in the month of June, due to the balance of contract salary payments

Source: School District Records

Table 23

HAMPTON TOWNSHIP SCHOOL DISTRICT
Allegheny County School District Millage Rates
Last Ten Fiscal Years

School District Name	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Allegheny Valley	18.00	20.50	21.50	22.23	23.21	23.46	23.46	23.46	23.46	19.95
Avonworth	17.70	17.20	18.20	18.80	18.80	19.30	20.00	20.00	20.94	17.70
Baldwin-Whitehall	23.11	23.11	24.61	24.61	23.61	23.50	23.40	23.40	23.40	19.61
Bethel Park	22.00	22.25	22.75	22.75	23.18	23.73	24.56	24.97	25.49	21.86
Brentwood	25.85	26.85	28.27	28.27	28.27	28.27	28.27	28.27	28.27	24.80
Carlinton	24.15	24.15	24.15	24.15	24.15	24.15	24.15	23.15	23.15	19.09
Chartiers Valley	18.60	18.60	19.32	19.32	19.32	19.32	19.88	19.88	19.88	16.22
Clairton	19.50	22.00	22.00	22.00	22.00	22.00	25.79	25.79	26.80	25.25
Cornell	19.89	19.89	20.89	21.74	22.93	22.93	24.11	25.98	26.55	22.75
Deer Lakes	23.00	23.00	23.00	24.04	25.32	26.25	26.25	26.69	26.69	21.95
Duquesne	21.10	21.10	21.10	21.10	21.10	21.10	21.10	21.10	21.10	17.50
East Allegheny	23.54	24.54	25.54	26.54	26.54	26.54	27.54	27.54	27.54	27.54
Elizabeth Forward	21.36	21.36	21.36	21.36	21.36	23.51	23.76	25.01	25.01	20.61
Fox Chapel	17.82	17.82	19.07	19.71	20.30	20.78	21.26	21.56	21.56	18.45
Gateway	18.41	19.40	19.41	19.41	19.41	19.41	21.02	21.02	21.85	18.62
Hampton Township School District	20.10	20.53	20.53	20.53	20.53	20.88	20.88	21.35	21.35	17.59
Highlands	23.71	23.71	23.71	23.71	23.71	23.71	24.41	26.41	26.41	23.80
Keystone Oaks	20.41	21.31	21.31	21.31	21.31	21.31	22.03	22.03	22.03	18.63
McKeesport	18.21	18.21	17.71	17.71	17.71	16.71	16.71	17.05	17.49	15.22
Montour	18.80	18.30	18.30	18.90	18.90	18.90	18.90	18.90	18.90	16.90
Moon Area	15.97	15.97	19.11	19.61	20.47	21.30	21.30	21.30	21.30	18.12
Mt. Lebanon	22.76	23.18	23.56	23.56	23.81	24.11	26.63	26.63	27.13	22.61
North Allegheny	18.52	18.52	19.72	19.34	18.99	18.99	19.74	20.26	20.92	17.40
North Hills	18.50	18.50	18.50	19.10	19.60	19.35	19.91	20.91	21.26	17.06
Northgate	23.50	23.50	24.50	24.50	24.50	24.50	27.60	28.60	28.60	23.71
Penn Hills	19.91	19.91	23.39	23.39	24.81	24.81	24.81	24.81	24.81	23.47
Pine Richland	20.20	20.20	20.20	20.20	20.20	20.20	21.91	21.91	22.82	19.21
Plum	20.80	21.20	22.20	22.20	22.20	22.20	22.20	22.20	22.20	18.76
Quaker Valley	16.90	16.90	18.85	19.35	19.75	19.75	20.70	20.95	21.25	16.93
Riverview	21.50	22.10	22.74	23.36	23.11	23.26	24.05	24.79	25.36	21.18
Shaler	23.00	23.50	24.25	24.70	24.70	24.70	25.63	25.63	25.63	20.76
South Allegheny	20.96	20.46	18.21	18.11	18.11	18.11	18.11	18.49	18.49	17.24
South Fayette	20.29	20.29	21.19	23.14	24.04	24.04	24.88	27.83	28.82	24.71
South Park	24.70	24.70	24.70	24.70	25.99	25.99	25.99	25.99	25.99	21.85
Steel Valley	18.92	18.92	18.92	21.21	21.21	21.21	24.07	24.16	24.16	21.31
Sto - Rox	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	23.19
Upper St. Clair	21.78	22.45	22.45	24.45	22.45	23.37	23.77	24.10	25.72	21.41
West Allegheny	18.60	21.50	21.50	21.50	22.00	22.00	22.00	22.00	22.00	18.51
West Jefferson Hills	19.99	19.99	19.99	19.99	21.08	21.08	21.08	21.08	21.08	18.10
West Mifflin	21.09	21.09	21.09	21.09	22.29	22.99	22.99	22.99	22.99	20.46
Wilkinsburg	32.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	36.67	32.63
Woodland Hills	23.30	23.90	23.90	24.65	24.65	25.65	25.65	25.65	26.21	21.80
County Wide Average	21.03	21.44	21.95	22.29	22.51	22.70	23.35	23.66	23.96	20.58
Hampton Township Schools Millage	20.10	20.53	20.53	20.53	20.53	20.88	20.88	21.35	21.35	17.59
Difference - Favorable (Unfavorable)	0.93	0.91	1.42	1.76	1.98	1.82	2.47	2.31	2.61	2.99
Difference % - Favorable (Unfavorable)	4.44%	4.26%	6.45%	7.91%	8.82%	8.01%	10.56%	9.77%	10.89%	14.54%

Source: Allegheny Intermediate Unit Survey

(1) - Clairton School District's tax rate has (2) components - a millage rate for land and a millage rate for buildings. For this comparison - a 25% / 75% split between land / building is used to determine a comparable rate to other school districts.

HAMPTON TOWNSHIP SCHOOL DISTRICT AND HAMPTON TOWNSHIP

The School District

The Hampton Township School District is coterminous with the municipality of Hampton Township. The District encompasses approximately 16 square miles in northern Allegheny County and is located approximately 15 miles north of the City of Pittsburgh. The first school in Hampton was opened in 1800 in a log cabin. The first public schools were recorded with the Commonwealth of Pennsylvania in 1862. The District is bordered by Shaler Township (Shaler Area School District) on the south; McCandless Township (North Allegheny School District) on the west; Richland Township (Pine-Richland School District) on the north; and West Deer Township (Deer Lakes School District) and Indiana Township (Fox Chapel Area School District) on the east.

The Township

The Township of Hampton was founded in 1861 and incorporated as a local government within the Commonwealth of Pennsylvania in 1875. Effective August 27, 1981, the Township became a Home Rule Municipality under Pennsylvania Act 62, the Home Rule Charter and Optional Plans Law, following a referendum. The Township is governed by a five member Council, each of which is elected at large.

Hampton Township was named after Judge Moses Hampton and included parts of present day McCandless, West Deer and Indiana Townships. Early Hampton was made up of eight villages that slowly merged into Hampton Township, as it is known today. During the 1800s, Hampton was known as an agricultural center with farming being the major trade. The Township eventually moved from an agricultural based community to a residential community.

Today, Hampton serves as a bedroom community for the Metropolitan Pittsburgh area. In addition to the light industry present in the Township, the Route 8 corridor provides commercial and retail businesses. The majority of the land use (88% of the assessed value) in the Township is residential.

Because of its proximity to Pittsburgh, Hampton enjoys many of the benefits of a larger city. These benefits include higher education, culture and the art, professional sports and health care.

**SINGLE AUDIT
SECTION**

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board
Hampton Township School District
Allison Park, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Hampton Township School District for the period ended June 30, 2013 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP

Pittsburgh, Pennsylvania

December 18, 2013

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Hampton Township School District
Allison Park, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hampton Township School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Hampton Township School District's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hampton Township School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hampton Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hampton Township School District's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control Over Financial Reporting (Cont'd)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton Township School District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 18, 2013

HOSACK, SPECHT, MUETZEL & WOOD LLP
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Exhibit B

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Members of the Board
Hampton Township School District
Allison Park, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Hampton 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 Hampton Township School District's major federal programs for the year ended June 30, 2013. Hampton Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hampton Township School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Hampton Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report on Compliance for Each Major Federal Program (Cont'd)

Auditor's Responsibility (Cont'd)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hampton Township School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hampton Township School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Hampton Township School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hampton Township School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Hampton Township School District's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
December 18, 2013

Hampton Township School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Exhibit C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued was unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs was unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027; 84.173	Special Education Cluster - IDEA; Preschool Grant

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

Auditee qualified as low-risk auditee? yes no

Hampton Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year's Findings

Not applicable.

**Hampton Township School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013**

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/12	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/13
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I	I	84.010	013-120179	07/01/11-09/30/12	\$ 93,230	\$ 30,020	\$ 30,020	\$ -	\$ -	\$ -
Title I	I	84.010	013-130179	09/18/12-09/30/13	98,566	46,744	-	98,566	98,566	51,822
ARRA - EduJobs Fund	I	84.410	140-120179	07/01/11-06/30/12	5,130	5,130	5,130	-	-	-
Title II - Improving Teacher Quality	I	84.367	020-130179	09/18/12-09/30/13	54,431	54,431	-	54,431	54,431	-
Title II - Improving Teacher Quality	I	84.367	020-120179	07/01/11-09/30/12	54,803	32,803	32,803	-	-	-
Passed through the Allegheny										
Intermediate Unit										
IDEA Grant	I	84.027	062-130003	07/01/12-06/30/13	367,673	269,954	-	367,673	367,673	97,719
IDEA - Preschool Grant	I	84.173	131-120003	07/01/12-06/30/13	2,013	<u>2,013</u>	<u>-</u>	<u>2,013</u>	<u>2,013</u>	<u>-</u>
Total U. S. Department of Education						<u>441,095</u>	<u>67,953</u>	<u>522,683</u>	<u>522,683</u>	<u>149,541</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/12-06/30/13	N/A	190,789	2,355	191,453	191,453	3,019
National School Breakfast Program	I	10.553	N/A	07/01/12-06/30/13	N/A	15,145	478	15,049	15,049	382
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/12-06/30/13	N/A	<u>54,880</u>	<u>(15,280)</u>	<u>56,353</u>	<u>56,353</u>	<u>(13,807)</u>
Total U. S. Department of Agriculture						<u>260,814</u>	<u>(12,447)</u>	<u>262,855</u>	<u>262,855</u>	<u>(10,406)</u>
Total Federal Financial Assistance						<u>\$701,909</u>	<u>\$ 55,506</u>	<u>\$785,538</u>	<u>\$785,538</u>	<u>\$139,135</u>

Hampton Township School District
Schedule of Expenditures of Federal Awards
Footnotes
June 30, 2013

Exhibit D

Note A - Significant Accounting Policies

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

Note B - Source Code

The Source Code (I) indicates funds received indirectly.

Note C - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$ 701,909
Add: State Funding on Confirmation	35,828
Add: Medical Assistance	369,047
Less: Pass Through AIU	(271,967)
Less: Donated Commodities	<u>(54,880)</u>
 Per Subsidy Confirmation	 <u>\$ 779,937</u>

**Hampton Township School District
List of Report Distribution
June 30, 2013**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census

