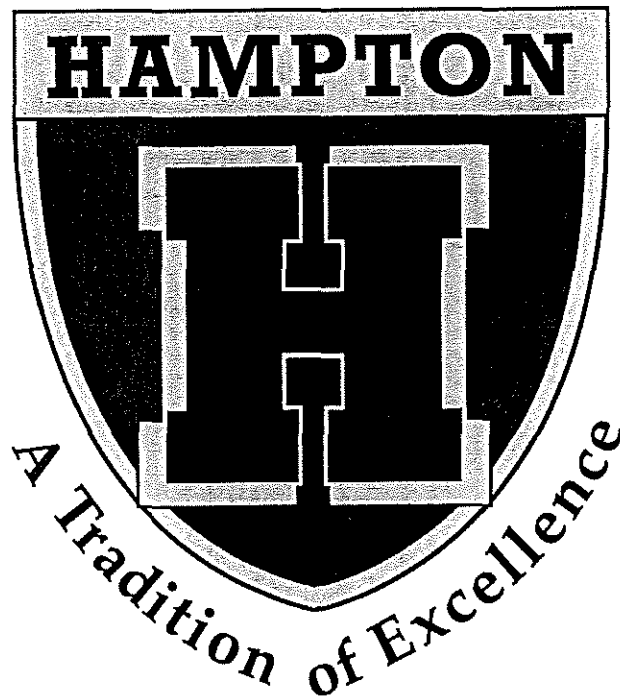


HAMPTON TOWNSHIP SCHOOL DISTRICT

ALLISON PARK, PENNSYLVANIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

HAMPTON TOWNSHIP
SCHOOL DISTRICT
ALLISON PARK, PA

FISCAL YEAR ENDED JUNE 30, 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT

of

HAMPTON TOWNSHIP SCHOOL DISTRICT

Allison Park, Pennsylvania

Fiscal Year Ended June 30, 2012

BOARD OF SCHOOL DIRECTORS

David A. Gurwin, President

Mary Alice Hennessey, Vice President

Robert Shages, Treasurer

Pam Lamagna, Secretary

Denise Balason

Gail V. Litwiler

Gregory A. Stein

Lawrence Vasko

Bryant B. Wesley II

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

**HAMPTON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	<u>Exhibit</u>	<u>Page</u>
Transmittal Letter		1-6
List of District Officials		7
Organization Chart		8
2010-11 GFOA Award of Financial Reporting Achievement		9

FINANCIAL SECTION

Independent Auditor's Report		10-11
Management's Discussion and Analysis		12-28
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	1	29
Statement of Activities	2	30
Fund Financial Statements		
Balance Sheet -- Governmental Funds	3	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4	32
Statement of Revenues, Expenditures and Changes in Fund Balances -- Governmental Funds	5	33
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances To the Statement of Activities	6	34-35
Statement of Net Assets -- Proprietary Funds	7	36
Statement of Revenues, Expenses and Changes in Fund Net Assets -- Proprietary Funds	8	37

**HAMPTON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION (CONT'D)		
Statement of Cash Flows – Proprietary Fund Types	9	38
Statement of Net Assets – Fiduciary Funds	10	39
Notes to Financial Statements		40-63
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund – Budget and Actual		64-71
Note to Required Supplementary Information		72
Other Post-Employment Benefits		73
Supplementary Information		
Combining and Individual Fund Statements		
Combining Balance Sheet – Nonmajor Governmental Funds		74
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds		75
Agency Fund - Statement of Changes in Assets and Liabilities		76

STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
<u>Financial Trend Data</u>		
Net Assets by Component Last Ten Fiscal Years (Accrual Basis of Accounting)	1	77
Expenses, Program Revenues and Net (Expense)/Revenue Last Ten Fiscal Years (Accrual Basis of Accounting)	2	78
General Revenues and Total Change in Net Assets Last Ten Fiscal Years (Accrual Basis of Accounting)	3	79
Fund Balances, Governmental Funds Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	4	80

**HAMPTON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

STATISTICAL SECTION (CONT'D)	<u>Table</u>	<u>Page</u>
Governmental Funds Revenue Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	5	81
Governmental Funds Expenditures and Debt Service Ratio Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	6	82
Other Financing Sources and Uses and Net Change in Fund Balance Last Ten Fiscal Years (Modified Accrual Basis of Accounting)	7	83
<u>Revenue Capacity Statistics</u>		
Real Estate Tax Levy and Collection History Last Ten Fiscal Years	8	84
Assessed Value and Actual Value of Taxable Property Last Ten Fiscal Years	9	85
Construction Costs and Property Values Last Ten Calendar Years	10	86
Ten Largest Real Estate Taxpayers Comparison 2011-12 Fiscal Year And 2002-03 Fiscal Year	11	87
Direct and Overlapping Property Tax Rates Last Ten Fiscal Years	12	88
Major Employers Within the School District Comparison 2011-12 Fiscal Year and 2002-03 Fiscal Year	13	89
<u>Debt Capacity Statistics</u>		
Outstanding Debt Analysis Last Ten Fiscal Years	14	90
Legal Debt Margin Information Last Ten Fiscal Years	15	91
Direct and Overlapping Government Debt as of June 30, 2012	16	92
<u>Demographic and Economic Statistics</u>		
Demographic and Economic Statistics Last Ten Fiscal Years	17	93
<u>Operating Statistics</u>		
Operating Statistics Last Ten Fiscal Years	18	94
Full Time Equivalent Employees by Type Last Ten Fiscal Years	19	95
Instructor's Base Salaries Last Ten Fiscal Years	20	96
School Building Information Last Ten Fiscal Years	21	97-99

**HAMPTON TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS**

STATISTICAL SECTION (CONT'D)	<u>Table</u>	<u>Page</u>
Cash Flow Analysis 2011-12 General Fund	22	100
Allegheny County School District Millage Rates Last Ten Fiscal Years	23	101
Profile and History		102

SINGLE AUDIT SECTION

	<u>Exhibit</u>	<u>Page</u>
Letter of Transmittal		103
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	A	104-105
Independent Auditor's Report on Compliance with Requirements that could Have a direct and material effect on each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	B	106-107
Schedule of Findings and Questioned Costs	C	108-109
Schedule of Expenditures of Federal Awards	D	110-111
List of Report Distribution	E	112

INTRODUCTORY SECTION



December 17, 2012

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, 2012. 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, 2012. 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 2011-12 school year, the district educated 3,095 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 2011-12 school year the district employed 209 teachers, 42 paraprofessionals, 40 maintenance / custodial staff, 29 secretarial staff, 18 administrators, 12 food service staff and 25 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 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 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.

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 3,229 students in the 2002-03 year to 3,095 students in the 2011-12 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 18.25 mills to 21.35 mills. This is an average annual increase of 1.70% 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 tax rates have increased at a rate significantly less than the local rate of inflation.

Hampton's current 2012-13 real estate tax millage rate of 21.35 mills is 10.89% lower than the Allegheny County average and 11 Districts in the County have a lower tax rate; while 30 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

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."

Allegheny County Property Assessments

Allegheny County completed a court ordered county-wide reassessment of real property in early 2012. The County notified taxing bodies and property owners of the new values in March 2012. The County will provide an updated certified assessed value in December 2012 that the District will use in preparing its 2013-14 budget. The District is legally required to reduce its real estate tax rate to create revenue neutrality for the change in assessed value. The District will need to account for the current and future property owner initiated tax appeals that could result in decreases to the new assessed values after the new tax rate is established. Approximately 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)

Fund Balance

The School District ended the 2011-12 fiscal year with an unassigned fund balance of \$5,738,225. This represents 13.33% of the actual 2012-13 general fund budget, which is above 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 reduce its unassigned fund balance to less than 8% if it wishes to raise the rate of any taxes for the 2013-14 fiscal year.

Pennsylvania School Employees' Retirement System Contributions

Actuarial projections for employer contributions to the Pennsylvania School Employees' Retirement System predict major future annual increases. Details of the impact on the School District 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.

DISTRICT AWARDS AND ACCOMPLISHMENTS

- *U.S. News and World Report* ranked Hampton High School as the number 13 school in the state in its "2012 Best High Schools" report. Hampton High School has ranked in the top 15 in the state in all four 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 105 regional public school districts and seventh in the State, according to the 2012 *Pittsburgh Business Times* rankings. Additionally, Central Elementary School third grade was ranked number one in western Pennsylvania among third grade testing scores. In the six 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 105 Districts) and among the top ten in the state (out of 500 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 seven years. Only 2 others Districts in Allegheny County have had all their schools achieve AYP for all seven 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
- 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.
- *U.S. News and World Report* ranked Hampton High School as one of its “most connected classrooms” for 2011. Hampton High School ranked number 81 on the list of 301 school districts nationwide. The rankings are based on each school’s online infrastructures and the degree of internet access available to students, educators and parents. Information for the rankings was determined through surveys, which were completed in September by school administrators.
- *U.S. News and World Report* also ranked Hampton as a Silver Medal School for 2011. The ranking is based on several factors, including overall student performance, disadvantaged student performance and college ready student performance.
- *Family Circle Magazine* has recognized Hampton Township as one of the 10 Best Towns for Families in 2010. The honor was bestowed on the township in an article featured in the August 2010 edition of the magazine. Family Circle used data on population, median income, median home price, households with children, the student/teacher ratio and Great Schools Rating to determine its top 10 list. Hampton Township’s population is 17,047, with 38 percent of those households having children. The District was the only one in the top 10 list to have earned a perfect 10 score from Great Schools Rating.
- In April 2010, *Forbes Magazine* recognized the Hampton Township School District as being one of the 25 best schools for housing value in the United States.
- The Hampton Township School District earned the highest rating in Allegheny County in the *Standard & Poors* “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
- The Hampton High School Robotics club won the 2011 Botball World Championship at the *Global Conference on Educational Robotics*. Botball is a standards-based STEM (Science, Technology, Engineering and Math) competition in which teams design, construct and program robots to accomplish specific tasks.

DISTRICT AWARDS AND ACCOMPLISHMENTS (Continued)

- 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.

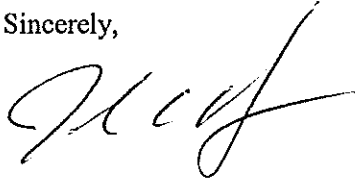
Financial Reporting

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 2010-11 CAFR, which is included in this report. We believe our 2011-12 CAFR meets the Certificate of Achievement Program requirements and are submitting it to the GFOA to determine its eligibility for certification.

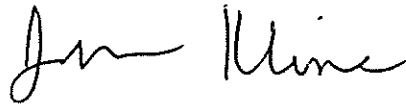
ACKNOWLEDGEMENTS

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

2011-12 BOARD OF SCHOOL DIRECTORS

Mr. David A. Gurwin, President

Mrs. Mary Alice Hennessey, Vice President

Mr. Robert Shages, Treasurer

Mrs. Pam Lamagna, Secretary

Mrs. Denise Balason

Mrs. Gail V. Litwiler

Mr. Gregory A. Stein

Mr. Lawrence Vasko

Mr. Bryant B. Wesley II

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

Mrs. Margaret L. Caruso, 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

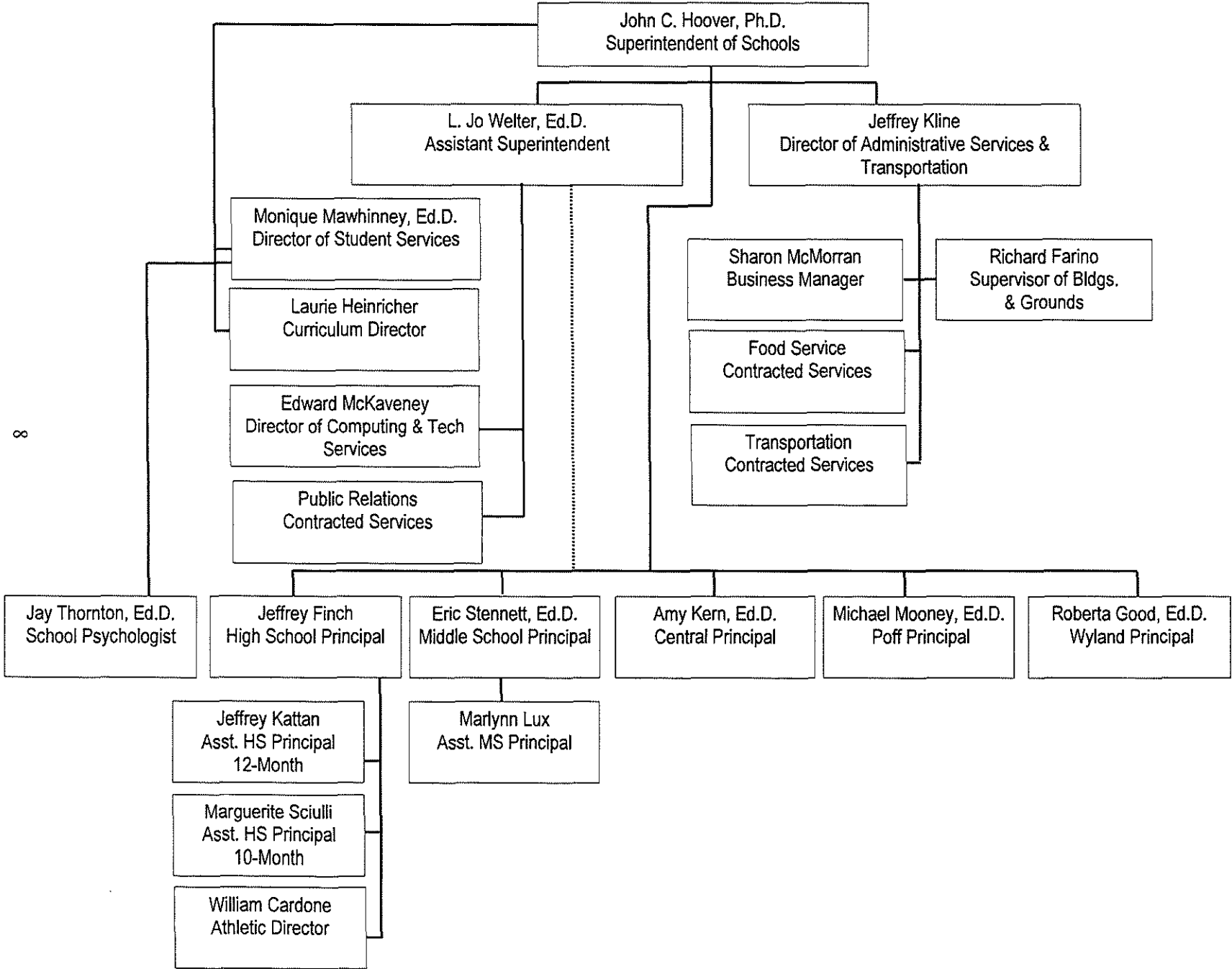
Ms. Laurie Heinricher, Curriculum Coordinator

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**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hampton Township School
District, Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Dandson

President

Jeffrey R. Egan

Executive Director

**FINANCIAL
SECTION**

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Dear Members:

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, 2012, which collectively comprise Hampton Township School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hampton Township School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hampton Township School District as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 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* and should be considered in assessing the results of our audit.

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 shown 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton Township School District's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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 it.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
December 17, 2012

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

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, 2012. 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 2011/2012 General Fund Budget

The 2011/2012 final expenditure budget was approved by the Hampton Township School District Board of Directors in June 2011 with revenues of \$41,497,500, expenditures of \$41,565,500 and a utilization of \$68,000 in committed fund balance. The real estate tax millage rate increased from 20.88 mills to 21.35 mills.

The final expenditure budget was approved with a **decrease** in expenditures of \$218,989, or 0.52% from the 2010/2011 budget. The revenue budget was approved with a **decrease** of revenues of \$770,028, or 1.85% from the 2010/2011 budget. The School District balanced the shortfall of \$640,827 with the utilization of \$68,000 of its committed fund balance for the Public School Employees' Retirement System (PSERS) Rate Stabilization Fund. This fund was established to offset portions of the state pension contribution increases over the next ten years. The remaining shortfall of \$572,824 was funded through a real estate tax rate increase of 0.47 mills, or 2.25%.

2011/2012 Actual Financial Results

Actual 2011/2012 general fund revenues were \$42,029,766 and actual expenditures were \$40,689,169, resulting in a surplus of \$1,340,597, which resulted in an ending fund balance at June 30, 2012 of \$10,987,513, of which \$5,738,225 was unassigned. Below is a summary of individual items that significantly impacted the School District's financial results as compared to the budget during 2011/2012.

Revenues

School District revenues exceeded the amount budgeted by \$532,266. The primary factors contributing to the unanticipated revenues are as follows:

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Financial Highlights (Cont'd)

General Fund (Cont'd)

Revenues (Cont'd)

- The Commonwealth of Pennsylvania increased three of the School District's state subsidy allocations after the School District approved its 2011/2012 final budget resulting in an additional \$230,199 in state revenue. The increases were as follows:

Basic Education Subsidy increased by \$103,551 (from \$4,504,705 to \$4,608,256);

Accountability Grant increased by \$88,849 (from \$0 to \$88,849); and

FICA Reimbursement Subsidy increased by \$37,799 (from \$788,000 to \$825,799).

- The School District rental and sinking fund reimbursements provided by the state exceeded budget by \$507,488. The reason for the large budget variance was the timing of the receipt of several prior years' reimbursements.
- Delinquent real estate and earned income tax revenue collected fell short of the budgeted amount by \$292,111. The School District increased the budgeted amount for delinquent real estate taxes regularly and significantly in recent years as the collections have exceeded the budget amount. The 2011/2012 fiscal year was the first year that the School District did not meet or exceed budget in recent history. Delinquent real estate taxes are difficult to budget as the timing of the collections is unpredictable. Future budgets will be adjusted accordingly for the slowing of delinquent real estate tax revenue.
- Federal ACCESS funds received fell short of the budgeted amount by \$125,812. The School District accumulates ACCESS funds throughout the year through a funding formula. The funds are then "drawn down" periodically by the School District. The School District accelerated its drawdowns during the previous 2010/2011 fiscal year amid rumors of the funds being frozen by the state or federal government. As a result, fewer funds were available for drawdown in 2011/2012 .
- Real estate tax revenue exceeded the budgeted amount by \$282,874. The percentage of current real estate taxes collected and the increase in overall School District assessed values were slightly higher than projected. The budget variance is only 1.11% in excess of the budget amount.

Expenditures

School District expenditures were under budget by \$876,331. The primary factors contributing to the expenditures being under budget are as follows:

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Financial Highlights (Cont'd)

General Fund (Cont'd)

Expenditures (Cont'd)

- The School District's salaries and benefits were under budget by \$639,985. The majority of the positive salary and benefit budget variance was due to unanticipated unpaid leaves by eleven 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.
- The School District's purchased services and supplies for operation and maintenance of plant services were under budget by \$253,191. The primary reason for the positive budget variance was lower costs for electricity. Electricity costs were under budget by \$120,740. The reduction in electricity costs are due to ongoing efforts to install energy efficient lighting and a reduction in the electricity rate paid by the School District through a cooperative purchasing agreement. Other positive budget variances in the operation and maintenance category were telecommunications - \$28,972 and natural gas - \$21,376. Both of these positive variances were due to lower rates.

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 assets 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, 2012**

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

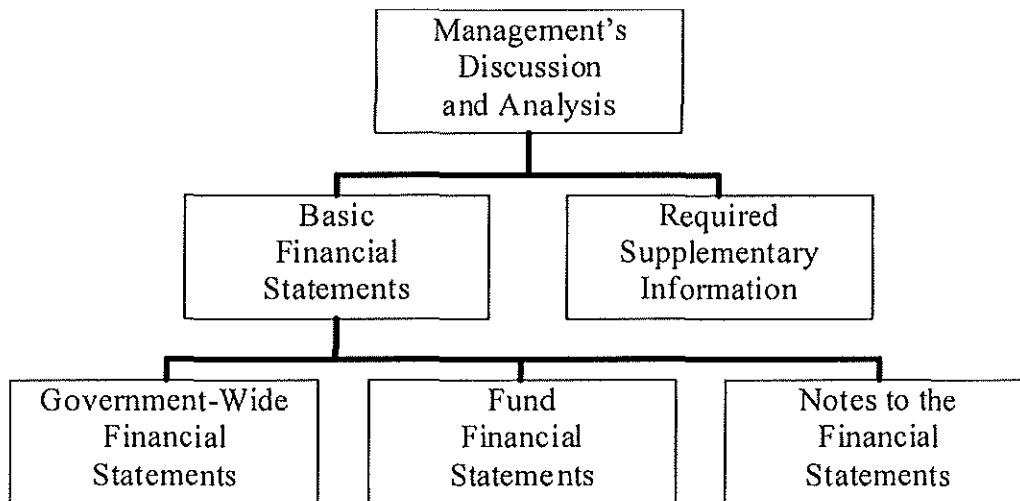


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

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 Statements	Fund 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 assets; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net assets; statement of revenues, expenses and changes in net assets; statement of cash flows	Statement of fiduciary net assets; statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of 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 assets 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, 2012**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

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

Over time, increases or decreases in the School District's net assets 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 assets and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the 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 - 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.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

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 assets 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 assets were \$96,553 at June 30, 2012 and \$866,097 at June 30, 2011.

Table A-1
Years Ended June 30, 2012 and 2011
Net Assets

	2012			2011		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$16,339,367	\$433,472	\$16,772,839	\$15,449,702	\$280,055	\$15,729,757
Capital Assets	<u>62,189,051</u>	<u>89,356</u>	<u>62,278,407</u>	<u>64,523,562</u>	<u>91,394</u>	<u>64,614,956</u>
Total Assets	<u>\$78,528,418</u>	<u>\$522,828</u>	<u>\$79,051,246</u>	<u>\$79,973,264</u>	<u>\$371,449</u>	<u>\$80,344,713</u>
Current and Other Liabilities	\$ 6,611,699	\$134,658	\$ 6,746,357	\$ 6,635,113	\$ 63,382	\$ 6,698,495
Long-Term Liabilities	<u>72,208,336</u>	-	<u>72,208,336</u>	<u>72,780,121</u>	-	<u>72,780,121</u>
Total Liabilities	<u>78,820,035</u>	<u>134,658</u>	<u>78,954,693</u>	<u>79,415,234</u>	<u>63,382</u>	<u>79,478,616</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	(4,886,788)	89,356	(4,797,432)	(5,181,505)	91,394	(5,090,111)
Restricted	21,884	-	21,884	567,483	-	567,483
Unrestricted	<u>4,573,287</u>	<u>298,814</u>	<u>4,872,101</u>	<u>5,172,052</u>	<u>216,673</u>	<u>5,388,725</u>
Total Net Assets	<u>(291,617)</u>	<u>388,170</u>	<u>96,553</u>	<u>558,030</u>	<u>308,067</u>	<u>866,097</u>
Total Liabilities and Net Assets	<u>\$78,528,418</u>	<u>\$522,828</u>	<u>\$79,051,246</u>	<u>\$79,973,264</u>	<u>\$371,449</u>	<u>\$80,344,713</u>

Most of the School District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are combined of designated and undesignated amounts. The difference between total net assets 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, 2012**

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 decrease in net assets of \$769,544 from \$866,097 to \$96,553 is the result of two primary factors:

- The fair market value of the 2007 variable rate debt decreased by \$2,175,375 during the 2011/2012 fiscal year. The School District has pursued a refunding of the 2007 variable rate debt for nearly two years. The monthly variable rate debt payments have been as budgeted - and on schedule with the previous debt. However, the insurance fees with the variable rate debt have increased in recent years, which is the primary reason for the desire to refund the variable rate debt issue. The decrease in fair market value has not affected the current operating results of the School District, its budget, its fund balance nor its tax rates. The fair market value for the 2007 debt increased in the 2010/2011 year by \$1,032,304.
- The School District achieved a general fund surplus of \$1,340,597 during the 2011/2012 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, 2012 and 2011
Changes in Net Assets

	2012			2011		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 972,331	\$ 972,331	\$ -	\$ 936,982	\$ 936,982
Operating Grants and Contribs.	5,128,784	297,071	5,425,855	6,491,928	291,607	6,783,535
Capital Grants and Contribs.	1,035,956	-	1,035,956	867,994	-	867,994
General Revenues						
Property Taxes	26,648,641	-	26,648,641	26,057,138	-	26,057,138
Other Taxes	3,714,037	-	3,714,037	4,111,925	-	4,111,925
Grants, Subsidies and Contribs.						
Unrestricted	5,466,534	-	5,466,534	4,950,063	-	4,950,063
Investment Earnings	(2,136,017)	-	(2,136,017)	1,570,582	-	1,570,582
Other	<u>77,157</u>	<u>-</u>	<u>77,157</u>	<u>51,638</u>	<u>-</u>	<u>51,638</u>
Total Revenues	<u>39,935,092</u>	<u>1,269,402</u>	<u>41,204,494</u>	<u>44,101,268</u>	<u>1,228,589</u>	<u>45,329,857</u>

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

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

Table A-2 (Cont'd)
Years Ended June 30, 2012 and 2011
Changes in Net Assets

	2012			2011		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses						
Instruction	\$24,254,511	\$ -	\$24,254,511	\$24,952,692	\$ -	\$24,952,692
Instructional Student Support Admin. and Financial Support Svcs.	2,499,327	-	2,499,327	2,460,798	-	2,460,798
Operation and Maintenance of Plant Services	3,851,404	-	3,851,404	3,595,493	-	3,595,493
Pupil Transportation	4,042,035	-	4,042,035	4,099,330	-	4,099,330
Student Activities	2,057,909	-	2,057,909	1,934,158	-	1,934,158
Community Services	1,158,129	-	1,158,129	1,214,667	-	1,214,667
Interest on Long-Term Debt	2,171	-	2,171	5,200	-	5,200
Food Service	2,919,253	-	2,919,253	2,992,486	-	2,992,486
	<u>-</u>	<u>1,189,299</u>	<u>1,189,299</u>	<u>-</u>	<u>1,148,213</u>	<u>1,148,213</u>
Total Expenses	<u>40,784,739</u>	<u>1,189,299</u>	<u>41,974,038</u>	<u>41,254,824</u>	<u>1,148,213</u>	<u>42,403,037</u>
Change in Net Assets	(849,647)	80,103	(769,544)	2,846,444	80,376	2,926,820
Beginning Net Assets	<u>558,030</u>	<u>308,067</u>	<u>866,097</u>	<u>(2,288,414)</u>	<u>227,691</u>	<u>(2,060,723)</u>
Ending Net Assets	<u>\$ (291,617)</u>	<u>\$ 388,170</u>	<u>\$ 96,553</u>	<u>\$ 558,030</u>	<u>\$ 308,067</u>	<u>\$ 866,097</u>

Summary of Significant Year-to-Year Variances

Governmental Activities

Total governmental revenues decreased by \$4,166,176. This decrease was primarily due to the following:

- Investment earnings decreased by \$3,706,599. This is due to two factors: the 2011/2012 investment earnings include a decrease in fair market value of the 2007 variable rate debt of \$2,175,375. The previous year's revenues included an increase in fair market value of the 2007 variable rate debt of \$1,032,304 and a gain from the termination of the 2005 variable rate debt of \$465,103.
- Operating grants and contributions decreased by \$1,363,144. This was due to the following factors:

The School District's state funding for the 2011/2012 fiscal year was reduced by \$504,584. The decrease was primarily in basic education funding, which was partially paid for with "American Recovery and Relief Act" (ARRA) funds in the 2009/2010 and 2010/2011 fiscal years.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Summary of Significant Year-to-Year Variances (Cont'd)

Governmental Activities (Cont'd)

The School District received \$361,051 less in federal ACCESS funds in the 2011/2012 fiscal year. ACCESS funds are accumulated based on eligible School District costs and then requested by the School District. The School District accelerated its request during the 2010/2011 fiscal year due to the uncertainty of continuance of funding. The accelerated requests depleted the School District's accumulated balance, causing fewer funds to be available during the 2011/2012 fiscal year.

- Property tax revenue increased by \$591,503. This is due to the 0.47 mill (2.25%) increase in the real estate tax rate.
- Other taxes decreased by \$397,888. The primary reason for the decrease was a "one-time" earned income tax payment of \$427,411 received from a single taxpayer in the previous (2010/2011) fiscal year. The payment was deemed to be a "windfall" by the School District and was not expected to continue.

Total governmental expenses decreased by \$470,085. The decrease was anticipated during the preparation of the 2011/2012 budget. The budget was approved with ten instructor retirements. Of the ten retirements, only six positions were replaced. The savings from the non-replaced positions and the replacement of the retiring instructors saved the School District approximately \$600,000 in salaries and benefits in the 2011/2012 fiscal year.

Business-Type Activities

- The food service fund had an increase in net assets of \$80,103 in the 2011/2012 fiscal year due to the operating surplus achieved in the fund.

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 seven 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, 2012**

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

Table A-3
Years Ended June 30, 2012 and 2011
Governmental Activities

Functions/Programs	2012		2011	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$24,254,511	\$20,612,040	\$24,952,692	\$20,712,556
Instructional Student Support	2,499,327	2,197,054	2,460,798	2,185,244
Administrative and Fin. Support Svcs.	3,851,404	3,662,933	3,595,493	3,125,375
Oper. and Maintenance of Plant Svcs.	4,042,035	3,902,151	4,099,330	3,986,466
Pupil Transportation	2,057,909	1,306,501	1,934,158	1,157,313
Student Activities	1,158,129	1,056,023	1,214,667	1,117,624
Community Services	2,171	-	5,200	149
Interest on Long-Term Debt	<u>2,919,253</u>	<u>1,883,297</u>	<u>2,992,486</u>	<u>1,610,175</u>
Total Governmental Activities	<u>\$40,784,739</u>	34,619,999	<u>\$41,254,824</u>	33,894,902
Less:				
Unrestricted Grants, Subsidies		<u>(5,466,534)</u>		<u>(4,950,063)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$29,153,465</u>		<u>\$28,944,839</u>

The total needs from local taxes and other revenues increased by \$208,626. This increase was met with a real estate tax increase of 0.47 mills and resulted in a revenue surplus of \$532,266.

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, 2012**

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

Table A-4
Years Ended June 30, 2012 and 2011
Business-Type Activities

Functions/Programs	2012		2011	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,189,299</u>	<u>\$(80,103)</u>	<u>\$1,148,213</u>	<u>\$(80,376)</u>

The food service fund achieved a net profit of \$80,103 during the 2011/2012 fiscal year. The net profit was similar (only \$273 less) than in the 2010/2011 fiscal year. Meal prices were unchanged for the 2011/2012 fiscal year.

School District Funds

At June 30, 2012, the School District's governmental funds reported a combined fund balance of \$11,796,507 which is an increase of \$885,382 from the July 1, 2011 combined fund balance. The reason for the increase in the combined fund balance is that the general fund achieved a surplus of \$1,340,597 for reasons discussed in the Financial Highlights section of the MD&A and the fund balance in the capital projects fund decreased by \$454,389 as construction of the high school fields' projects neared completion. The fund balance at June 30, 2012 of the debt service fund of \$544,773 did not change significantly from the prior year's balance of \$545,601, as expected.

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.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2012, the School District had \$59,819,321 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 \$1,815,793, or 2.94% from the previous year. This decrease is attributable to the depreciation expense of \$2,744,557 exceeding the additional equipment purchases and construction in progress of \$928,764. More detailed information about our capital assets is included in the notes to the financial statements.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Capital Assets and Debt Administration (Cont'd)

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

	2012	2011
Land	\$ 1,081,390	\$ 1,081,390
Land Improvements	830,893	972,462
Buildings and Building Improvements	54,896,524	56,826,807
Furniture and Equipment	2,281,911	2,692,461
Construction in Progress	728,603	61,994

Debt Administration

As of July 1, 2011, the School District's total outstanding debt principal (for bonds and notes) was \$68,440,731. During the 2011/2012 fiscal year, there was \$202,097 in accretion of the Series of 1995 zero coupon bonds. The School District made payments toward the principal outstanding on the Series of 2001, 2006A and 2006B bonds, 2007 VRDBs, Series of 2008, 2009, 2011A and 2011B bonds in the total amount of \$2,190,000. The School District also made payments toward the principal of the 2008 general obligation note in the amount of \$65,905 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, 2012, of \$66,386,923, a decrease of 3.0%. A comprehensive analysis of the School District's long-term debt is included in the notes to the financial statements.

Table A-6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/12	As of 06/30/11
Bonds - Series of 1995	\$ 2,978,933	\$ 2,776,835
Bonds - Series of 2006A	9,155,000	9,305,000
Bonds - Series of 2006B	6,650,000	6,680,000
Bonds - Series of 2007 (VRDBs)	21,525,000	22,220,000
Bonds - Series of 2008	9,450,000	9,580,000
Bonds - Series of 2009	3,445,000	4,265,000
Bonds - Series of 2011A	10,795,000	11,145,000
Bonds - Series of 2011B	780,000	785,000
Notes - Series of 2008	1,607,990	1,673,895

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Capital Assets and Debt Administration (Cont'd)

Debt Administration (Cont'd)

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 our long-term liabilities is included in the notes to the financial statements.

Economic Factors and the 2012/2013 Budget and Tax Rates

The general fund budget for the 2012/2013 year was adopted in June 2012. The 2012/2013 expenditure budget of \$43,033,566 was an increase of \$1,468,066, or 3.53% from the 2011/2012 final budget. Approximately 56% of the increase, or \$833,000, was due to the increase in School District contributions to PSERS. The PSERS employer contribution rate increased from 8.65% of payroll in 2011/2012 to 12.36% of payroll in 2012/2013. The School District's revenues were budgeted at \$42,597,496, resulting in a deficit of \$436,070. The School District was able to offset its budget deficit through the utilization of \$151,000 of its PSERS Rate Stabilization Fund (Year 2) and \$285,070 of its unassigned fund balance. The real estate tax rate remained unchanged at 21.25 mills.

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

Table A-7

	Budgeted Revenues	
	2012/2013	2011/2012
Local	73.3%	74.5%
State	25.2%	24.0%
Federal/Other	1.5%	1.5%
	Budgeted Expenditures	
	2012/2013	2011/2012
Instruction	55.4%	55.6%
Support Services	29.6%	29.4%
Noninstructional	2.5%	2.5%
Fund Transfers/Debt	12.5%	12.5%

Future School District Economic Considerations

Public School Employees' Retirement System Contributions (PSERS)

Actuarial projects for future School District contributions to PSERS forecast dramatic annual increases in the

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

Future School District Economic Considerations (Cont'd)

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

employer contribution rate for future years. The forecast shows annual increases in the employer contribution rate to 27.76% of payroll by the 2020/2021 fiscal year as follows:

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%	1,410,000	437,000
2013/2014	16.93%	1,970,000	560,000
2014/2015	21.25%	2,570,000	600,000
2015/2016	25.56%	3,180,000	610,000
2016/2017	26.26%	3,370,000	190,000
2017/2018	26.80%	3,540,000	170,000
2018/2019	27.53%	3,750,000	210,000
2019/2020	28.04%	3,930,000	180,000
2020/2021	27.76%	4,010,000	80,000

Although half of the School District's contributions are presently reimbursed by the state, this increase will have a tremendous financial impact on the School District. An increase from the 2011/2012 employer contribution rate of 8.65% to 27.76% will increase the School District's budget by \$3 million in the 2020/2021 fiscal year. Even more staggering is the projection of a cumulative 10-year PSERS additional cost of \$22.4 million between the 2010/2011 and 2020/2021 fiscal years. In order to prepare for the contingency of higher retirement contribution rates, the School District designated \$4.4 million of its previously unassigned fund balance toward future retirement contributions in the PSERS Rate Stabilization Fund. The \$4.4 million PSERS Rate Stabilization Fund will be utilized for the fiscal years 2011/2012 to 2020/2021. As noted previously, \$68,000 of the PSERS Rate Stabilization Fund was used to offset the PSERS increases in the 2011/2012 fiscal year and \$151,000 was utilized in the 2012/2013 fiscal year.

Hampton Township Education Association Collective Bargaining Agreement

The School District's collective bargaining agreement with the Hampton Township Education Association (HTEA) expired on June 30, 2012. The expired contract covered the period July 1, 2007 to June 30, 2012. The School District and HTEA have been negotiating a renewal contract since 2011. As of this writing, a renewal contract agreement has not been reached. The members of HTEA have been working without a contract in a status quo situation since the beginning of the 2012/2013 school year.

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

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 in early 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 30.4%. The collective assessed value increased from \$1.303 billion to \$1.699 billion. There are numerous individual appeals of the reassessed values which will likely decrease the new assessed value. The County will provide an updated certified assessed value in December 2012 that the School District will use in preparing its 2013/2014 budget. The School District is legally required to reduce its real estate tax rate to create revenue neutrality for the change in assessed value. The School District will need to account for the current and future property owner initiated tax appeals that could result in decreases to the new assessed values after the new tax rate is established. Historically, the property owner initiated tax appeals take multiple years to work through the County appeal system. 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 base year system when many appeals resulting in decreases were expected. The School District will carry this reserve for the potential appeals resulting from the 2013 reassessment.

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, Hampton Township 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).

**Hampton Township School District
Management's Discussion and Analysis
June 30, 2012**

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)

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 did not utilize any of the Act 1 exceptions for the budget years of 2007/2008 to 2010/2011. 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 exception to balance the 2011/2012 budget with a 0.47 mill increase. The School District's Act 1 index would have limited the millage increase at 0.35 mills. The PSERS exception would have allowed an additional 0.28 mill increase - to 0.63 mills total; however, the School District was able to balance the budget with the aforementioned 0.47 mill increase. The School District did not apply for PA Department of Education approval for exceptions in the preparation of its 2012/2013 budget, nor did it raise the rate of any taxes for the 2012/2013 fiscal year.

The Hampton Township 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 2012/2013 real estate tax rate is 2.61 mills, or 10.9% lower than the average Allegheny County school district.

Additionally, there are only eleven Allegheny County school districts with a lower millage rate than Hampton Township School District and thirty with a higher millage rate. The School District has only had to raise its tax rate four times in the past ten fiscal years 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 determined index will be greatly reduced in future years.

Contacting the School District Financial Management

Our financial report is designed to provide our 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 Assets
June 30, 2012

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$13,619,881	\$396,176	\$14,016,057
Taxes Receivable, Net	1,733,426	-	1,733,426
Due from Other Governments	581,432	3,542	584,974
Other Receivables	87,340	3,793	91,133
Inventories	-	29,961	29,961
Prepaid Items	<u>317,288</u>	<u>-</u>	<u>317,288</u>
Total Current Assets	<u>16,339,367</u>	<u>433,472</u>	<u>16,772,839</u>
Noncurrent Assets			
Land	1,081,390	-	1,081,390
Land Improvements, Net	830,893	-	830,893
Buildings and Building Improvements	54,896,524	-	54,896,524
Furniture and Equipment	2,281,911	89,356	2,371,267
Construction in Progress	728,603	-	728,603
Long-Term Prepayments (Net of Amortization)	<u>2,369,730</u>	<u>-</u>	<u>2,369,730</u>
Total Noncurrent Assets	<u>62,189,051</u>	<u>89,356</u>	<u>62,278,407</u>
TOTAL ASSETS	<u>\$78,528,418</u>	<u>\$522,828</u>	<u>\$79,051,246</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current Liabilities			
Internal Balances	\$ (1,821)	\$ 1,821	\$ -
Accounts Payable	498,528	92,132	590,660
Contracts Payable	90,794	-	90,794
Current Portion of Long-Term Debt	2,661,786	-	2,661,786
Accrued Salaries and Benefits	2,563,814	-	2,563,814
Payroll Deductions and Withholdings	292,629	-	292,629
Unearned Revenues	72,351	15,280	87,631
Other Current Liabilities	<u>433,618</u>	<u>25,425</u>	<u>459,043</u>
Total Current Liabilities	<u>6,611,699</u>	<u>134,658</u>	<u>6,746,357</u>
Noncurrent Liabilities			
Bonds Payable	62,808,834	-	62,808,834
Notes Payable	1,540,362	-	1,540,362
Long-Term Portion of Compensated Absences	874,258	-	874,258
Other Post-Employment Benefit Obligations	193,436	-	193,436
Investment Derivative	6,785,000	-	6,785,000
Termination Benefits	<u>6,446</u>	<u>-</u>	<u>6,446</u>
Total Noncurrent Liabilities	<u>72,208,336</u>	<u>-</u>	<u>72,208,336</u>
Total Liabilities	<u>78,820,035</u>	<u>134,658</u>	<u>78,954,693</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	(4,886,788)	89,356	(4,797,432)
Restricted for Permanent Endowment - Nonexpendable	20,400	-	20,400
Restricted for Permanent Endowment - Expendable	1,484	-	1,484
Unrestricted	<u>4,573,287</u>	<u>298,814</u>	<u>4,872,101</u>
Total Net Assets	<u>(291,617)</u>	<u>388,170</u>	<u>96,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$78,528,418</u>	<u>\$522,828</u>	<u>\$79,051,246</u>

See Accompanying Notes

Hampton Township School District
Statement of Activities
Year Ended June 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Governmental Activities							
Instruction	\$24,254,511	\$ -	\$3,642,471	\$ -	\$(20,612,040)	\$ -	\$(20,612,040)
Instructional Student Support	2,499,327	-	302,273	-	(2,197,054)	-	(2,197,054)
Administrative and Financial Support Services	3,851,404	-	188,471	-	(3,662,933)	-	(3,662,933)
Operation and Maintenance of Plant Services	4,042,035	-	139,884	-	(3,902,151)	-	(3,902,151)
Pupil Transportation	2,057,909	-	751,408	-	(1,306,501)	-	(1,306,501)
Student Activities	1,158,129	-	102,106	-	(1,056,023)	-	(1,056,023)
Community Services	2,171	-	2,171	-	-	-	-
Interest on Long-Term Debt	<u>2,919,253</u>	<u>-</u>	<u>-</u>	<u>1,035,956</u>	<u>(1,883,297)</u>	<u>-</u>	<u>(1,883,297)</u>
Total Governmental Activities	<u>40,784,739</u>	<u>-</u>	<u>5,128,784</u>	<u>1,035,956</u>	<u>(34,619,999)</u>	<u>-</u>	<u>(34,619,999)</u>
Business-Type Activities							
Food Service	<u>1,189,299</u>	<u>972,331</u>	<u>297,071</u>	<u>-</u>	<u>-</u>	<u>80,103</u>	<u>80,103</u>
Total Primary Government	<u>\$41,974,038</u>	<u>\$972,331</u>	<u>\$5,425,855</u>	<u>\$1,035,956</u>	<u>(34,619,999)</u>	<u>80,103</u>	<u>(34,539,896)</u>
General Revenues							
Taxes							
Property Taxes, Levied for General Purposes (Net)					26,648,641	-	26,648,641
Other Taxes, Levied for General Purposes (Net)							
Earned Income Taxes					3,335,190	-	3,335,190
Real Estate Transfer Taxes					337,984	-	337,984
Public Utility Realty Taxes					40,863	-	40,863
Grants, Subsidies and Contributions not Restricted					5,466,534	-	5,466,534
Investment Earnings					(2,136,017)	-	(2,136,017)
Miscellaneous Income					<u>77,157</u>	<u>-</u>	<u>77,157</u>
Total General Revenues					<u>33,770,352</u>	<u>-</u>	<u>33,770,352</u>
Changes in Net Assets					(849,647)	80,103	(769,544)
Net Assets - July 1, 2011					<u>558,030</u>	<u>308,067</u>	<u>866,097</u>
Net Assets - June 30, 2012					<u>\$ (291,617)</u>	<u>\$388,170</u>	<u>\$ 96,553</u>

See Accompanying Notes

**Hampton Township School District
Balance Sheet
Governmental Funds
June 30, 2012**

Exhibit 3

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$13,262,627	\$ 2	\$357,252	\$13,619,881
Taxes Receivable (Net)	1,733,426	-	-	1,733,426
Due from Other Funds	1,821	544,771	-	546,592
Due from Other Governments	581,432	-	-	581,432
Other Receivables	87,340	-	-	87,340
Prepaid Items	<u>317,288</u>	<u>-</u>	<u>-</u>	<u>317,288</u>
TOTAL ASSETS	<u>\$15,983,934</u>	<u>\$544,773</u>	<u>\$357,252</u>	<u>\$16,885,959</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 544,771	\$ -	\$ -	\$ 544,771
Accounts Payable	496,291	-	2,237	498,528
Contracts Payable	-	-	90,794	90,794
Accrued Salaries and Benefits	2,563,814	-	-	2,563,814
Payroll Deductions and Withholdings	292,629	-	-	292,629
Deferred Revenues	1,042,439	-	-	1,042,439
Other Current Liabilities	<u>56,477</u>	<u>-</u>	<u>-</u>	<u>56,477</u>
Total Liabilities	<u>4,996,421</u>	<u>-</u>	<u>93,031</u>	<u>5,089,452</u>
Fund Balances				
Nonspendable	317,288	-	20,400	337,688
Restricted	-	-	1,484	1,484
Committed	4,932,000	544,773	242,337	5,719,110
Unassigned	<u>5,738,225</u>	<u>-</u>	<u>-</u>	<u>5,738,225</u>
Total Fund Balances	<u>10,987,513</u>	<u>544,773</u>	<u>264,221</u>	<u>11,796,507</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$15,983,934</u>	<u>\$544,773</u>	<u>\$357,252</u>	<u>\$16,885,959</u>

See Accompanying Notes

**Hampton Township School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2012**

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 11,796,507
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$93,221,146 and the accumulated depreciation is \$33,401,825.		59,819,321
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.		970,088
Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net assets.		584,191
The payment to the joint venture is capitalized and amortized over the life of the notes payable issued.		1,445,638
Derivative instruments used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		(6,785,000)
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	\$(64,778,933)	
Accrued Interest on the Bonds	(377,141)	
Capital Leases Payable	(25,519)	
Notes Payable	(1,607,990)	
Other Post-Employment Benefits	(193,436)	
Termination Benefits	(235,085)	
Compensated Absences	<u>(904,258)</u>	<u>(68,122,362)</u>
Total Net Assets - Governmental Activities		\$ <u>(291,617)</u>

See Accompanying Notes

**Hampton Township School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012**

Exhibit 5

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local Sources	\$30,872,669	\$ -	\$ 92	\$30,872,761
State Sources	10,610,157	-	-	10,610,157
Federal Sources	<u>546,140</u>	<u>-</u>	<u>-</u>	<u>546,140</u>
Total Revenues	<u>42,028,966</u>	<u>-</u>	<u>92</u>	<u>42,029,058</u>
Expenditures				
Current				
Instruction	22,483,590	-	-	22,483,590
Support Services	11,829,523	-	-	11,829,523
Noninstructional Services	1,030,247	-	2	1,030,249
Capital Outlay	-	-	779,477	779,477
Debt Service				
Principal	24,265	2,190,000	-	2,214,265
Interest	1,959	2,800,828	-	2,802,787
Other	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
Total Expenditures	<u>35,374,169</u>	<u>4,990,828</u>	<u>779,479</u>	<u>41,144,476</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,654,797</u>	<u>(4,990,828)</u>	<u>(779,387)</u>	<u>884,582</u>
Other Financing Sources (Uses)				
Transfers In	-	4,990,000	325,000	5,315,000
Sale/Compensation for Capital Assets	800	-	-	800
Transfers Out	<u>(5,315,000)</u>	<u>-</u>	<u>-</u>	<u>(5,315,000)</u>
Total Other Financing Sources (Uses)	<u>(5,314,200)</u>	<u>4,990,000</u>	<u>325,000</u>	<u>800</u>
Net Changes in Fund Balances	1,340,597	(828)	(454,387)	885,382
Fund Balances - July 1, 2011	<u>9,646,916</u>	<u>545,601</u>	<u>718,608</u>	<u>10,911,125</u>
Fund Balances - June 30, 2012	<u>\$10,987,513</u>	<u>\$ 544,773</u>	<u>\$264,221</u>	<u>\$11,796,507</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, 2012**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 885,382

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	\$(2,744,557)	
Capital Outlays	<u>928,764</u>	(1,815,793)

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. 85,194

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 assets. 2,280,170

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	(49,026)	
Termination Benefits	238,237	
Other Post-Employment Benefits	<u>(38,459)</u>	150,752

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, 2012**

Exhibit 6

Net Change in Accrued Interest on the Bonds	\$ 65,480	
Accretion of Interest on the School District's Capital Appreciation Bonds	<u>(202,098)</u>	\$ (136,618)
<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>		
		(2,175,375)
<p>Bond issuance costs and bond discount 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 and Deferred Loss on Refunding	<u>(34,850)</u>	<u>(123,359)</u>
Change in Net Assets of Governmental Activities		\$ <u>(849,647)</u>

See Accompanying Notes

Hampton Township School District
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$396,176
Due from Other Governments	3,542
Other Receivables	3,793
Inventories	<u>29,961</u>
Total Current Assets	<u>433,472</u>
Noncurrent Assets	
Furniture and Equipment (Net)	<u>89,356</u>
TOTAL ASSETS	<u>\$522,828</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Current Liabilities	
Due to Other Funds	\$ 1,821
Accounts Payable	92,132
Deferred Revenues	15,280
Other Current Liabilities	<u>25,425</u>
Total Liabilities	<u>134,658</u>
Net Assets	
Invested in Capital Assets	89,356
Unrestricted	<u>298,814</u>
Total Net Assets	<u>388,170</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$522,828</u>

See Accompanying Notes

Hampton Township School District
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>972,331</u>
Operating Expenses	
Salaries	237,033
Employee Benefits	60,005
Other Purchased Services	811,683
Supplies	67,117
Depreciation	12,113
Dues and Fees	<u>1,348</u>
Total Operating Expenses	<u>1,189,299</u>
Operating Income (Loss)	<u>(216,968)</u>
Nonoperating Revenues (Expenses)	
State Sources	63,566
Federal Sources	
Subsidies	179,385
Donated Commodities	<u>54,120</u>
Total Nonoperating Revenues (Expenses)	<u>297,071</u>
Change in Net Assets	80,103
Net Assets - July 1, 2011	<u>308,067</u>
Net Assets - June 30, 2012	\$ <u>388,170</u>

See Accompanying Notes

**Hampton Township School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2012**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 979,441
Cash Payments to Employees for Services	(297,877)
Cash Payments to Suppliers for Goods and Services	<u>(749,464)</u>
Net Cash Used for Operating Activities	<u>(67,900)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	69,645
Federal Sources - Subsidies	<u>219,380</u>
Net Cash Provided by Non-Capital Financing Activities	<u>289,025</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Const./Imp. Services	<u>(10,075)</u>
Net Increase in Cash and Cash Flows	211,050
Cash and Cash Equivalents - July 1, 2011	<u>185,126</u>
Cash and Cash Equivalents - June 30, 2012	<u>\$ 396,176</u>
Operating Income (Loss)	\$(216,968)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	12,113
Donated Commodities	54,120
(Increase) Decrease in Accounts Receivable	3,582
(Increase) Decrease in Inventories	3,245
Increase (Decrease) in Accounts Payable	72,480
Increase (Decrease) in Other Current Liabilities	<u>3,528</u>
Total Adjustments	<u>149,068</u>
Cash Used for Operating Activities	<u>\$ (67,900)</u>
Noncash Non-Capital Financing Activities	
During the year ended June 30, 2012, the School District received \$49,388 of U. S. D. A. Donated Commodities in the food service fund.	

See Accompanying Notes

Hampton Township School District
Statement of Net Assets
Fiduciary Funds
June 30, 2012

Exhibit 10

	Agency Fund
ASSETS	
Cash and Cash Equivalents	<u>\$114,153</u>
LIABILITIES	
Liabilities	
Other Current Liabilities	<u>\$114,153</u>

See Accompanying Notes

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the School District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the School District has chosen not to do so. The more significant accounting policies established in GAAP and used by the School District are discussed below.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

In evaluating how to define a government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and more specifically, the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The following summarizes the guidance provided by GASB in determining the governmental activities, organizations, functions and component units that should be included in the governing entity's financial statements. The criterion for inclusion of a component unit is if the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, it has been determined that the School District (the primary government) has no potential component units to be included in its financial reporting entity, but does participate in a joint venture as described below.

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

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

A. Financial Reporting Entity (Cont'd)

Joint Venture (Cont'd)

district in the school. The School District's financial obligation to Beattie for the year ended June 30, 2012, was \$327,109 which was paid in the year ended June 30, 2012 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2012. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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*.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Agency funds have no measurement focus and only report assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, net of any uncollectible amounts, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

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. Property taxes levied but collected beyond 60 days after year end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. 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.

Property taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues (state and federal sources), the legal and contractual requirements of the individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

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 reports the following major proprietary fund:

The *food service fund* accounts for the revenues, food purchases, and other costs and expenses providing meals to students and/or faculty during the school year.

Additionally, the School District reports the following 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.

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

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

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the School District's enterprise fund are charges to customers for sales of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

E. 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.

F. 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, 2012.

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.

G. 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".

H. 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

H. Inventories (Cont'd)

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, 2012.

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, 2012 are reported as deferred revenue.

I. 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.

J. 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.

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:

**Hampton Township School District
Notes to Financial Statements
June 30, 2012**

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

J. Capital Assets (Cont'd)

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.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums, 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.

L. 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 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.

M. Equity Classifications

Government-Wide Statements

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

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

M. Equity Classifications (Cont'd)

Government-Wide Statements (Cont'd)

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 assets - consists of net assets 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 assets - all other net assets that do 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.

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 a majority of the Board, by the School District's highest level of authority, school board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain 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 School District has not approved a policy authorizing the assignment of fund balance.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

M. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

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, 2012, is as follows:

General Fund

1. Nonspendable fund balance of \$317,288 is for prepaid items.
2. The committed fund balance of \$4,932,000 is for the following purposes:

a. Employer Retirement	
Expenditures future increases	\$4,332,000
b. Real Estate Tax Appeals	<u>600,000</u>
	<u>\$4,932,000</u>

Debt Service Fund

The committed fund balance of \$544,773 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 \$242,337 is for future capital projects.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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.

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, 2012, \$5,824,425 of the School District's bank balance of \$8,103,504 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>\$5,824,425</u>

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

Investments	Fair Value
First American Government Obligation Fund	\$ 1
PSDLAF	<u>6,651,037</u>
	<u>\$6,651,038</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, 2012, 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>\$(6,875,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(6,875,000)</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, 2012

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	\$21,525,000

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1E. 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 assets 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, 2012

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 2011/2012 was 21.35 mills (\$21.35 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2011/2012 is as follows:

Tax Levy Date	July 1, 2011
2% Discount Period	Through August 31, 2011
Face Payment Period	September 1 - October 31, 2011
10% Penalty Period	November 1 Until Liened
Lien Filing Date	July 1, 2012

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 \$970,088 net of estimated uncollectible of \$107,788, along with other taxes receivable of \$763,338.

Note 4 - Due from Other Governments

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

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 67,955	\$2,832	\$ 70,787
State	460,659	710	461,369
Local	<u>52,818</u>	<u>-</u>	<u>52,818</u>
	<u>\$581,432</u>	<u>\$3,542</u>	<u>\$584,974</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

Hampton Township School District
Notes to Financial Statements
June 30, 2012

Note 5 - Capital Assets

	Balance 07/01/11	Additions	Disposals	Balance 06/30/12
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 1,081,390	\$ -	\$ -	\$ 1,081,390
Construction in Progress	<u>61,994</u>	<u>666,609</u>	<u>-</u>	<u>728,603</u>
Total Capital Assets Not Being Depreciated	<u>1,143,384</u>	<u>666,609</u>	<u>-</u>	<u>1,809,993</u>
Capital Assets Being Depreciated				
Land Improvements	3,478,888	-	-	3,478,888
Buildings and Building Improvements	80,837,605	-	-	80,837,605
Furniture and Equipment	<u>6,832,505</u>	<u>262,155</u>	<u>-</u>	<u>7,094,660</u>
Total Capital Assets Being Depreciated	<u>91,148,998</u>	<u>262,155</u>	<u>-</u>	<u>91,411,153</u>
Less Accumulated Depreciation				
Land Improvements	2,506,426	141,569	-	2,647,995
Buildings and Building Improvements	24,010,798	1,930,283	-	25,941,081
Furniture and Equipment	<u>4,140,044</u>	<u>672,705</u>	<u>-</u>	<u>4,812,749</u>
Total Accumulated Depreciation	<u>30,657,268</u>	<u>2,744,557</u>	<u>-</u>	<u>33,401,825</u>
Total Capital Assets Being Depreciated, Net	<u>60,491,730</u>	<u>(2,482,402)</u>	<u>-</u>	<u>58,009,328</u>
Governmental Activities Capital Assets, Net	<u>\$61,635,114</u>	<u>\$(1,815,793)</u>	<u>\$ -</u>	<u>\$59,819,321</u>
Business-Type Activities				
Furniture and Equipment	\$ 266,601	\$ 10,075	\$ -	\$ 276,676
Less Accumulated Depreciation	<u>175,207</u>	<u>12,113</u>	<u>-</u>	<u>187,320</u>
Business-Type Capital Assets, Net	<u>\$ 91,394</u>	<u>\$ (2,038)</u>	<u>\$ -</u>	<u>\$ 89,356</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$2,038,139
Instructional Student Support	931
Administration and Financial Support Services	73,783

Hampton Township School District
Notes to Financial Statements
June 30, 2012

Note 5 - Capital Assets (Cont'd)

Governmental Activities (Cont'd)	
Operation and Maintenance of Plant Services	\$ 501,851
Student Activities	<u>129,853</u>
 Total Depreciation Expense	 <u>\$2,744,557</u>
 Business-Type Activities	
Food Service	\$ <u>12,113</u>

Note 6 - Interfund Balances

Interfund balances at June 30, 2012, were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,821	\$544,771
Debt Service Fund	544,771	-
Enterprise Fund		
Food Service Fund	<u>-</u>	<u>1,821</u>
	<u>\$546,592</u>	<u>\$546,592</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, 2012, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u> General Fund
Nonmajor Funds	
Capital Projects Fund	\$ 325,000
Debt Service Fund	<u>4,990,000</u>
	<u>\$5,315,000</u>

Hampton Township School District
Notes to Financial Statements
June 30, 2012

Note 7 - Interfund Transfers (Cont'd)

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 \$125,000 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, 2012:

	Balance 07/01/11	Additions	Accretion	Retirements	Balance 06/30/12	Due Within One Year
Governmental Activities						
General Obligation Bonds	\$66,766,835	\$ -	\$202,098	\$2,190,000	\$64,778,933	\$2,310,000
Less: Bond Discount	(345,038)	-	-	(20,264)	(324,774)	-
Add: Bond Premium	<u>735,260</u>	-	-	<u>70,585</u>	<u>664,675</u>	-
 Net General Obligation Bonds	 <u>67,157,057</u>	 <u>-</u>	 <u>202,098</u>	 <u>2,240,321</u>	 <u>65,118,834</u>	 <u>2,310,000</u>
 General Obligation Notes	 1,673,895	 -	 -	 65,905	 1,607,990	 67,628
Capital Lease Obligations	49,784	-	-	24,265	25,519	25,519
Compensated Absences Payable	855,232	53,259	-	4,233	904,258	30,000
Termination Payments	<u>473,322</u>	<u>21,763</u>	<u>-</u>	<u>260,000</u>	<u>235,085</u>	<u>228,639</u>
 Governmental Activities Long-Term Liabilities	 <u>\$70,209,290</u>	 <u>\$75,022</u>	 <u>\$202,098</u>	 <u>\$2,594,724</u>	 <u>\$67,891,686</u>	 <u>\$2,661,786</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%	\$ 2,978,933
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	9,155,000
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	6,650,000
Series of 2007 in the amount of \$24,125,000; due serially through September 1, 2027; interest is variable	21,525,000

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

General Obligation Bonds (Cont'd)

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	\$ 9,450,000
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	3,445,000
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	10,795,000
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>780,000</u>
	<u>\$64,778,933</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>1,607,990</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, 2012, 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	
2013	\$ 2,310,000	\$ 1,588,504	\$ 67,628	\$ 65,624	\$ 4,031,756
2014	2,385,000	1,549,743	70,212	63,384	4,068,339

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
2015	\$ 2,470,000	\$ 1,502,679	\$ 72,797	\$ 60,787	\$ 4,106,263
2016	2,550,000	1,450,375	75,381	58,012	4,133,768
2017	2,665,000	1,396,616	78,397	55,223	4,195,236
2018-2022	14,815,000	5,926,764	441,950	225,294	21,409,008
2023-2027	11,587,165	10,573,905	546,623	120,536	22,828,229
2028-2032	20,885,000	2,804,736	255,002	11,807	23,956,545
2033	<u>3,015,000</u>	<u>62,794</u>	<u>-</u>	<u>-</u>	<u>3,077,794</u>
	62,682,165	26,856,116	1,607,990	660,667	91,806,938
Accretion to Date	<u>2,096,768</u>	<u>(2,096,768)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$64,778,933</u>	<u>\$24,759,348</u>	<u>\$1,607,990</u>	<u>\$660,667</u>	<u>\$91,806,938</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, 2012, \$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:

Asset	Governmental Activities
Machinery and Equipment	\$115,650
Less: Accumulated Depreciation	<u>(94,447)</u>
Total	<u>\$ 21,203</u>

Hampton Township School District
Notes to Financial Statements
June 30, 2012

Note 9 - Capital Leases (Cont'd)

The future minimum lease obligations and the net present value of these minimum lease payments, as of June 30, 2012, were as follows:

Year Ended June 30,	Governmental Activities
2013	<u>\$26,224</u>
Total Minimum Lease Payments	26,224
Less: Amount Representing Interest	<u>(705)</u>
Present Value of Minimum Lease Payments	<u>\$25,519</u>

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. The program was originally limited to retirements no later than June 30, 2008 or June 30, 2009. The employee must have at least seventeen years of service in Hampton Township School District and are before, at, or beyond PSERS' superannuation if retired by June 30, 2008 or are before or at PSERS superannuation if retired by June 30, 2009, 2010 or 2011. Superannuation is 35 years of service, any age; 30 years of service, age 60; or any years of service at age 62. A program without the PSERS superannuation requirements 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 \$235,085 at June 30, 2012. Twenty-five teachers participated 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

A. Plan Description (Cont'd)

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, 2012, the rate of employee contribution was 8.65% of covered payroll, or 4.325% for both the School District and the Commonwealth.

The School District's contributions to PSERS for the years ending June 30, 2012, 2011 and 2010 were \$1,812,271, \$1,219,179 and \$991,033, 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, 2012 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.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

All employees, including teachers, can "retire" at any time and elect to remain in the School District plan provided they pay 100% of the premium rate.

Teachers

There are retirement incentives in place approved in prior years which provided for contribution requirements which were less costly than the retiree paying 100%. A summary of these incentives is as follows:

- Teachers who retired in the fiscal year ending June 30, 2004 were provided with a benefit as follows: The School District will pay medical costs up to a maximum of \$13,124 per year up to the age of 65. However, PSERS provides a benefit of \$100 per month towards the cost of this benefit. The net maximum cost to the School District is \$10,764. Any costs above the threshold will be paid for by the retiree.
- Teachers who retired in the fiscal year ending June 30, 2007 were provided with \$20,000 to be used towards the purchase of retiree medical.
- There is a small group of teachers (4) who retired back in the 1990s who are provided with retiree drug coverage where the retiree is required to pay 100% of the cost.
- There are a select few retirees who are provided with medical coverage where the School District pays 100% of the cost. These benefits are to be provided up to the age of 65 only.

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 under each of these options can be found below:

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

B. Funding Policy (Cont'd)

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.

For the year ended June 30, 2012, the School District contributed \$113,658. Plan members receiving benefits contributed \$229,301. 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	\$ 580,531
Interest on Net OPEB Obligation	6,587
Adjustment to Annual Required Contribution	<u>(26,060)</u>
Annual OPEB Cost (Expense)	561,058
Contributions Made	<u>(522,599)</u>
Increase on OPEB Obligation	38,459
Net OPEB Obligation - Beginning of Year	<u>154,977</u>
Net OPEB Obligation - End of Year	<u>\$ 193,436</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, 2012, 2011 and 2010, is as follows.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/12	\$561,058	93.15%	\$193,436
06/30/11	569,412	88.32%	154,977
06/30/10	399,668	80.75%	88,491

D. Funded Status and Funding Progress

As of July 1, 2010, the actuarial accrued liability for benefits was \$3,185,932, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$21,844,481 and the ratio of unfunded actuarial accrued liability to the covered payroll was 14.58%.

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.

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, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.25%; an annual healthcare cost trend rate of 9% initially decreasing by 1% per year to an ultimate rate of 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 seven years. The period is open.

Hampton Township School District
Notes to Financial Statements
June 30, 2012

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 \$3,276,150 and \$3,334,511 for the years ended June 30, 2012 and 2011, 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 assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2012, the net assets of the Consortium were \$44,251,280 of which \$647,882 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.

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, 2012 was \$1,763,615. This includes \$832,417 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 \$931,198 to the federal government for social security and Medicare taxes for the year ended June 30, 2012. 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, 2012, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2012 financial statements, are as follows:

Hampton Township School District
Notes to Financial Statements
June 30, 2012

Note 16 - Derivative Instruments (Cont'd)

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2012		Notional in Thousands
	Classification	Amount	Classification	Amount	
Investment Derivative Instruments:					
Interest rate Swap- 2007; Pay Fixed	Investment Revenue	\$(2,175,375)	Investment	\$(6,875,000)	\$21,525

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 - Construction Commitment

As of June 30, 2012, the School District had construction commitments in the amount of approximately \$46,000 for various improvements to school facilities. It is anticipated these projects will be completed in the 2012/2013 school year.

**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, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$25,432,827	\$25,432,827	\$25,715,701	\$ 282,874
Interim Real Estate Taxes	75,000	75,000	27,285	(47,715)
Public Utility Realty Taxes	41,000	41,000	40,863	(137)
Earned Income Taxes	3,250,000	3,250,000	3,202,347	(47,653)
Real Estate Transfer Taxes	340,000	340,000	337,984	(2,016)
Delinquencies on Taxes	1,250,000	1,250,000	957,889	(292,111)
Earnings on Investments	60,000	60,000	39,266	(20,734)
Other Local Revenues				
Revenue from Student Activities	50,000	50,000	58,541	8,541
Revenues from IUs	375,000	375,000	388,792	13,792
Rentals	22,000	22,000	13,460	(8,540)
Tuition	5,000	5,000	27,644	22,644
Miscellaneous Revenue	10,000	10,000	25,843	15,843
Refunds of Prior Year's Expenditures	<u>5,000</u>	<u>5,000</u>	<u>37,054</u>	<u>32,054</u>
Total Revenues from Local Sources	<u>30,915,827</u>	<u>30,915,827</u>	<u>30,872,669</u>	<u>(43,158)</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	4,504,705	4,504,705	4,608,256	103,551
Tuition	8,000	8,000	7,393	(607)
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.)	800,000	800,000	749,781	(50,219)
Rentals and Sinking Fund Payments	528,468	528,468	1,035,956	507,488
State Property Tax Reduction Allocation	858,278	858,278	858,278	-
Health Services	68,000	68,000	67,700	(300)
PA Accountability Grant	-	-	88,849	88,849
Extra Grants	5,000	5,000	-	(5,000)
Social Security Payments	788,000	788,000	825,799	37,799
State Retirement Revenue	<u>943,000</u>	<u>943,000</u>	<u>919,923</u>	<u>(23,077)</u>
Total Revenues from State Sources	<u>9,951,673</u>	<u>9,951,673</u>	<u>10,610,157</u>	<u>658,484</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<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	\$ 90,000	\$ 90,000	\$ 99,321	\$ 9,321
Title II	65,000	65,000	92,501	27,501
ARRA - Edu. Jobs Fund	-	-	5,130	5,130
Medical Assistance - Access	<u>475,000</u>	<u>475,000</u>	<u>349,188</u>	<u>(125,812)</u>
Total Revenues from Federal Sources	<u>630,000</u>	<u>630,000</u>	<u>546,140</u>	<u>(83,860)</u>
Total Revenues	<u>41,497,500</u>	<u>41,497,500</u>	<u>42,028,966</u>	<u>531,466</u>
Other Financing Sources				
Sale of Capital Assets	-	-	800	800
Total Revenues and Other Financing Sources	<u>41,497,500</u>	<u>41,497,500</u>	<u>42,029,766</u>	<u>532,266</u>
Expenditures				
Current				
Instruction				
Regular Programs				
Personal Services				
Salaries	13,174,741	13,238,491	13,628,878	(390,387)
Employee Benefits	3,979,074	4,016,551	3,993,167	23,384
Purchased Prof. and Tech. Services	31,000	31,000	83,833	(52,833)
Purchased Property Services	87,689	85,689	61,599	24,090
Other Purchased Services	301,519	300,358	317,286	(16,928)
Supplies	517,007	521,779	493,145	28,634
Property	102,257	125,688	145,821	(20,133)
Other Objects	<u>9,626</u>	<u>7,387</u>	<u>3,165</u>	<u>4,222</u>
Total Regular Programs	<u>18,202,913</u>	<u>18,326,943</u>	<u>18,726,894</u>	<u>(399,951)</u>
Special Programs				
Personal Services				
Salaries	2,386,690	2,386,690	2,095,525	291,165
Employee Benefits	705,586	705,586	607,521	98,065

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Current (Cont'd)				
Instruction (Cont'd)				
Special Programs (Cont'd)				
Purchased Prof. and Tech. Services	\$ 412,915	\$ 412,915	\$ 410,788	\$ 2,127
Purchased Property Services	2,037	2,037	-	2,037
Other Purchased Services	195,254	195,254	227,096	(31,842)
Supplies	60,541	60,541	42,203	18,338
Property	<u>11,600</u>	<u>11,600</u>	<u>14,627</u>	<u>(3,027)</u>
Total Special Programs	<u>3,774,623</u>	<u>3,774,623</u>	<u>3,397,760</u>	<u>376,863</u>
Vocational Education Programs				
Personal Services				
Salaries	407,084	407,084	-	407,084
Employee Benefits	120,348	120,348	-	120,348
Purchased Property Services	3,000	3,000	-	3,000
Other Purchased Services	327,091	327,091	329,114	(2,023)
Supplies	<u>24,315</u>	<u>24,315</u>	<u>-</u>	<u>24,315</u>
Total Vocational Education Programs	<u>881,838</u>	<u>881,838</u>	<u>329,114</u>	<u>552,724</u>
Other Instructional Programs				
Personal Services				
Salaries	16,000	16,000	13,905	2,095
Employee Benefits	4,730	4,730	4,048	682
Other Purchased Services	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Other Instructional Programs	<u>70,730</u>	<u>70,730</u>	<u>17,953</u>	<u>52,777</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	<u>-</u>	<u>-</u>	<u>11,869</u>	<u>(11,869)</u>
Total Instruction	<u>22,930,104</u>	<u>23,054,134</u>	<u>22,483,590</u>	<u>570,544</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	822,112	822,112	791,505	30,607
Employee Benefits	244,039	244,039	229,437	14,602

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<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)				
Pupil Personnel (Cont'd)				
Purchased Prof. and Tech. Services	\$ 12,200	\$ 12,200	\$ 7,499	\$ 4,701
Purchased Property Services	50	50	-	50
Other Purchased Services	2,500	2,500	2,768	(268)
Supplies	7,224	7,224	3,062	4,162
Other Objects	<u>1,020</u>	<u>1,020</u>	<u>935</u>	<u>85</u>
Total Pupil Personnel	<u>1,089,145</u>	<u>1,089,145</u>	<u>1,035,206</u>	<u>53,939</u>
Instructional Staff				
Personal Services				
Salaries	688,019	688,019	695,283	(7,264)
Employee Benefits	187,305	187,305	182,035	5,270
Purchased Prof. and Tech. Services	70,390	70,390	75,011	(4,621)
Purchased Property Services	2,900	2,300	1,248	1,052
Other Purchased Services	9,500	9,500	14,212	(4,712)
Supplies	99,069	98,079	104,600	(6,521)
Property	<u>4,313</u>	<u>2,765</u>	<u>2,343</u>	<u>422</u>
Total Instructional Staff	<u>1,061,496</u>	<u>1,058,358</u>	<u>1,074,732</u>	<u>(16,374)</u>
Administration				
Personal Services				
Salaries	1,778,522	1,778,522	1,777,348	1,174
Employee Benefits	531,227	531,227	508,320	22,907
Purchased Prof. and Tech. Services	426,500	426,500	337,838	88,662
Purchased Property Services	9,600	9,600	12,095	(2,495)
Other Purchased Services	123,376	122,526	137,159	(14,633)
Supplies	35,315	33,317	29,198	4,119
Property	250	-	-	-
Other Objects	<u>24,375</u>	<u>24,272</u>	<u>21,264</u>	<u>3,008</u>
Total Administration	<u>2,929,165</u>	<u>2,925,964</u>	<u>2,823,222</u>	<u>102,742</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<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)				
Pupil Health				
Personal Services				
Salaries	\$ 334,753	\$ 334,753	\$ 289,495	\$ 45,258
Employee Benefits	98,965	98,965	83,027	15,938
Purchased Prof. and Tech. Services	11,000	11,000	7,576	3,424
Purchased Property Services	339	339	100	239
Other Purchased Services	699	699	609	90
Supplies	6,266	6,416	7,336	(920)
Property	<u>740</u>	<u>740</u>	<u>315</u>	<u>425</u>
Total Pupil Health	<u>452,762</u>	<u>452,912</u>	<u>388,458</u>	<u>64,454</u>
Business				
Personal Services				
Salaries	238,916	238,916	235,158	3,758
Employee Benefits	70,992	70,992	68,822	2,170
Purchased Prof. and Tech. Services	8,000	8,000	7,866	134
Purchased Property Services	7,000	7,000	1,689	5,311
Other Purchased Services	6,500	6,500	5,152	1,348
Supplies	7,700	7,700	5,961	1,739
Other Objects	<u>750</u>	<u>750</u>	<u>1,105</u>	<u>(355)</u>
Total Business	<u>339,858</u>	<u>339,858</u>	<u>325,753</u>	<u>14,105</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	1,720,833	1,720,833	1,762,538	(41,705)
Employee Benefits	509,066	509,066	511,153	(2,087)
Purchased Property Services	217,500	217,500	199,904	17,596
Other Purchased Services	181,500	181,500	74,905	106,595
Supplies	1,045,000	1,008,353	861,757	146,596
Property	117,761	117,761	86,724	31,037
Other Objects	<u>1,400</u>	<u>1,400</u>	<u>604</u>	<u>796</u>
Total Oper. and Maint. of Plant Svcs.	<u>3,793,060</u>	<u>3,756,413</u>	<u>3,497,585</u>	<u>258,828</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<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)				
Student Transportation Services				
Personal Services				
Salaries	\$ 17,731	\$ 17,731	\$ 20,145	\$ (2,414)
Employee Benefits	3,512	3,512	3,961	(449)
Purchased Prof. and Tech. Services	850	850	964	(114)
Other Purchased Services	1,989,050	1,989,050	2,032,827	(43,777)
Supplies	<u>-</u>	<u>-</u>	<u>12</u>	<u>(12)</u>
Total Student Transportation Services	<u>2,011,143</u>	<u>2,011,143</u>	<u>2,057,909</u>	<u>(46,766)</u>
Central				
Personal Services				
Salaries	294,971	294,971	306,350	(11,379)
Employee Benefits	86,271	86,271	87,310	(1,039)
Purchased Prof. and Tech. Services	500	500	1,879	(1,379)
Purchased Property Services	62,941	62,941	54,387	8,554
Other Purchased Services	4,400	4,400	2,631	1,769
Supplies	15,000	15,000	18,098	(3,098)
Property	<u>77,049</u>	<u>126,549</u>	<u>108,808</u>	<u>17,741</u>
Total Central	<u>541,132</u>	<u>590,632</u>	<u>579,463</u>	<u>11,169</u>
Other				
Other Purchased Services	<u>47,000</u>	<u>47,000</u>	<u>47,195</u>	<u>(195)</u>
Total Support Services	<u>12,264,761</u>	<u>12,271,425</u>	<u>11,829,523</u>	<u>441,902</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	583,944	583,944	578,659	5,285
Employee Benefits	97,296	97,296	90,380	6,916
Purchased Prof. and Tech Services	22,000	22,000	25,000	(3,000)
Purchased Property Services	19,500	19,500	19,134	366
Other Purchased Services	155,700	157,439	188,843	(31,404)

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Expenditures (Cont'd)				
Current (Cont'd)				
Noninstructional Services (Cont'd)				
Student Activities (Cont'd)				
Supplies	\$ 130,990	\$ 127,912	\$ 115,027	\$ 12,885
Other Objects	<u>17,125</u>	<u>16,850</u>	<u>11,033</u>	<u>5,817</u>
Total Student Activities	<u>1,026,555</u>	<u>1,024,941</u>	<u>1,028,076</u>	<u>(3,135)</u>
Community Services				
Supplies	<u>-</u>	<u>-</u>	<u>2,171</u>	<u>(2,171)</u>
Total Noninstructional Services	<u>1,026,555</u>	<u>1,024,941</u>	<u>1,030,247</u>	<u>(5,306)</u>
Debt Service				
Interest	-	-	1,959	(1,959)
Refund of Prior Year's Receipts	100,000	100,000	4,585	95,415
Redemption of Principal	<u>-</u>	<u>-</u>	<u>24,265</u>	<u>(24,265)</u>
Total Debt Service	<u>100,000</u>	<u>100,000</u>	<u>30,809</u>	<u>69,191</u>
Total Expenditures	<u>36,321,420</u>	<u>36,450,500</u>	<u>35,374,169</u>	<u>1,076,331</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	125,000	125,000	325,000	(200,000)
Debt Service Fund	4,990,000	4,990,000	4,990,000	-
Budgetary Reserve	<u>129,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>5,244,080</u>	<u>5,115,000</u>	<u>5,315,000</u>	<u>(200,000)</u>
Total Expenditures and Other Financing Uses	<u>41,565,500</u>	<u>41,565,500</u>	<u>40,689,169</u>	<u>876,331</u>

**Hampton Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Net Change in Fund Balance	\$ (68,000)	\$ (68,000)	\$ 1,340,597	\$1,408,597
Fund Balance - July 1, 2011	<u>8,589,564</u>	<u>8,589,564</u>	<u>9,646,916</u>	<u>1,057,352</u>
Fund Balance - June 30, 2012	<u>\$ 8,521,564</u>	<u>\$ 8,521,564</u>	<u>\$10,987,513</u>	<u>\$2,465,949</u>

Hampton Township School District
Note to Required Supplementary Information
Budget Comparison
June 30, 2012

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, 2012**

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%

**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, 2012**

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	<u>\$335,368</u>	<u>\$21,884</u>	<u>\$357,252</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 2,237	\$ -	\$ 2,237
Contracts Payable	<u>90,794</u>	<u>-</u>	<u>90,794</u>
Total Liabilities	<u>93,031</u>	<u>-</u>	<u>93,031</u>
Fund Balances			
Nonspendable	-	20,400	20,400
Restricted	-	1,484	1,484
Committed	<u>242,337</u>	<u>-</u>	<u>242,337</u>
Total Fund Balances	<u>242,337</u>	<u>21,884</u>	<u>264,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$335,368</u>	<u>\$21,884</u>	<u>\$357,252</u>

Hampton Township School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Revenues			
Local Sources	\$ <u>88</u>	\$ <u>4</u>	\$ <u>92</u>
Expenditures			
Noninstructional Services	-	2	2
Capital Outlay	<u>779,477</u>	<u>-</u>	<u>779,477</u>
Total Expenditures	<u>779,477</u>	<u>2</u>	<u>779,479</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(779,389)</u>	<u>2</u>	<u>(779,387)</u>
Other Financing Sources (Uses)			
Transfers In	<u>325,000</u>	<u>-</u>	<u>325,000</u>
Net Change in Fund Balances	(454,389)	2	(454,387)
Fund Balance - July 1, 2011	<u>696,726</u>	<u>21,882</u>	<u>718,608</u>
Fund Balance - June 30, 2012	<u>\$ 242,337</u>	<u>\$21,884</u>	<u>\$ 264,221</u>

Hampton Township School District
Statement of Changes in Assets and Liabilities
Agency Fund
Year Ended June 30, 2012

	Balance 07/01/11	Additions	Deductions	Balance 06/30/12
Activities Fund				
Assets				
Cash and Cash Equivalents	<u>\$100,829</u>	<u>\$240,379</u>	<u>\$227,055</u>	<u>\$114,153</u>
Liabilities				
Other Current Liabilities	<u>\$100,829</u>	<u>\$240,379</u>	<u>\$227,055</u>	<u>\$114,153</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 Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	(4,643,363)	(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)
Restricted	58,138	20,599	20,860	21,351	78,587	78,783	22,264	210,391	567,483	21,884
Unrestricted	<u>3,057,659</u>	<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>
Total Governmental Activities Net Assets	(1,527,566)	260,098	600,667	1,942,604	4,196,444	5,493,465	4,936,204	(2,288,414)	558,030	(291,617)
Business - Type Activities										
Invested in capital assets, net of related debt	9,271	7,569	6,069	57,048	52,012	58,222	68,183	79,056	91,394	89,356
Unrestricted	<u>(37,530)</u>	<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>
Total Business - Type Activities Net Assets	(28,259)	(17,911)	(49,039)	2,687	42,805	114,244	112,914	227,691	308,067	388,170
Total Primary Government										
Invested in capital assets, net of related debt	(4,634,092)	(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)
Restricted	58,138	20,599	20,860	21,351	78,587	78,783	22,264	210,391	567,483	21,884
Unrestricted	<u>3,020,129</u>	<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>
Total Primary Government Net Assets	<u>(1,555,825)</u>	<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>

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
Instruction	19,268,934	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
Instructional Student Support	1,766,566	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
Administrative and Financial Support	2,611,474	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
Operation and Maintenance of Plant	2,756,922	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
Pupil Transportation	1,494,189	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
Student Activities	790,851	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
Community Services	-	-	-	-	-	-	-	1,761	5,200	2,171
Interest on long term debt	3,301,581	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
Total Governmental Activities Expense	31,990,517	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
Business - Type Activities										
Food Service	997,282	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
Total Primary Government Expenses	32,987,799	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
Program Revenues										
Governmental Activities										
Charges for Services										
Operation and Maintenance of Plant	44,662	63,306	-	-	-	-	-	-	-	-
Operating grants and contributions	3,630,977	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
Capital grants and contributions	614,513	614,578	535,353	502,763	453,494	367,143	480,899	1,085,453	867,994	1,035,956
Total Governmental Activities Revenues	4,290,152	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
Business - Type Activities										
Charges for Services										
Food Service	778,094	840,258	730,317	768,789	855,350	893,340	944,174	950,965	936,982	972,331
Operating grants and contributions	185,294	210,435	225,612	242,407	254,652	264,317	274,527	290,586	291,607	297,071
Total Business - Type Activities	963,388	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
Total Primary Government Program Revenues	5,253,540	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
Net (Expense) / Revenue										
Total Primary government net expense	(27,734,259)	(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)

Source: District Financial Reports

Table 3

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense) / Revenue										
Governmental Activities	(27,700,365)	(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)
Business - Type Activities	(33,894)	10,072	(31,128)	51,726	40,118	71,439	98,670	114,777	80,376	80,103
Total Primary government net expense	(27,734,259)	(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)
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Taxes										
Property Taxes	20,324,460	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
Earned Income Tax	2,203,537	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
Other Current Taxes	621,418	406,653	464,127	417,248	509,623	419,894	334,359	367,230	330,561	378,847
Grants & Contributions not Restricted	4,042,116	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
Investment Earnings	243,321	2,615,368	227,630	513,426	831,626	900,907	645,468	(1,075,357)	1,570,582	(2,136,017)
Other	16,842	5,178	126,559	115,441	85,351	71,032	79,375	34,932	51,638	77,157
Special Item	-	-	-	-	686,746	-	-	-	-	-
Transfers	-	-	-	-	-	-	100,000	-	-	-
Total Governmental Activities Revenues	27,451,694	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
Business - Type Activities										
Investment Earnings	410	276	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	(100,000)	-	-	-
Total Business-Type Activities	410	-	-	-	-	-	(100,000)	-	-	-
Total Primary Government	27,452,104	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
Change in Net Assets										
Governmental Activities	(248,671)	1,787,664	340,569	1,341,937	2,253,840	1,297,021	(557,261)	26,627	2,846,444	(849,647)
Business - Type Activities	(33,484)	10,348	(31,128)	51,726	40,118	71,439	(1,330)	114,777	80,376	80,103
Total Primary Government	(282,155)	1,798,012	309,441	1,393,663	2,293,958	1,368,460	(558,591)	141,404	2,926,820	(769,544)

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	233,743	252,581	267,344	872,270	876,068	859,799	953,489	898,774	-	-
Unreserved,										
Designated	1,400,000	-	-	-	-	-	2,314,000	3,950,000	-	-
Undesignated	914,910	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
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	5,000,000	4,932,000
Unassigned	-	-	-	-	-	-	-	-	4,326,415	5,738,225
Total General Fund	<u>2,548,653</u>	<u>2,230,482</u>	<u>2,914,916</u>	<u>4,656,124</u>	<u>5,749,638</u>	<u>6,055,211</u>	<u>6,283,257</u>	<u>7,870,846</u>	<u>9,646,916</u>	<u>10,987,513</u>
All Other Governmental Funds										
Reserved	58,138	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	464,704	799,500	711,598	776,989	2,950,545	4,984,361	3,756,369	921,183	-	-
Nonspendable	-	-	-	-	-	-	-	-	20,400	20,400
Restricted	-	-	-	-	-	-	-	-	160,555	1,484
Committed	-	-	-	-	-	-	-	-	1,083,254	787,110
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other Governmental Funds	<u>522,842</u>	<u>820,099</u>	<u>771,799</u>	<u>798,340</u>	<u>3,029,132</u>	<u>11,193,331</u>	<u>4,500,314</u>	<u>1,301,317</u>	<u>1,264,209</u>	<u>808,994</u>

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Local Sources										
Real Estate Tax	19,677,190	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
Earned Income Tax	2,203,537	2,212,912	2,597,290	2,687,087	2,874,304	3,190,970	2,873,641	3,030,789	3,636,003	3,202,347
Other Local Taxes	1,466,776	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
Interest Earnings	243,321	94,022	227,630	530,205	831,626	1,116,567	645,468	134,430	73,175	39,358
Other Local Sources	344,889	2,885,734	465,040	422,773	384,763	523,744	504,740	852,203	780,443	551,334
Total Local Sources	23,935,713	28,125,178	27,042,952	28,599,835	29,759,818	31,178,804	29,549,728	30,214,054	31,253,163	30,872,761
State Sources										
Basic Education Subsidy	3,945,734	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
Special Education Subsidy	1,371,552	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
Other State Subsidies	2,465,066	2,592,364	2,782,143	2,778,343	3,078,966	3,380,121	3,807,371	4,435,931	4,289,752	4,553,679
Total State Sources	7,782,352	7,993,149	8,264,482	8,403,716	8,872,042	9,275,404	9,855,510	10,036,054	9,775,088	10,610,157
Federal Sources										
Other Federal Sources	221,869	153,864	131,284	252,416	354,921	468,892	459,494	986,569	1,803,992	546,140
Total Federal Sources	221,869	153,864	131,284	252,416	354,921	468,892	459,494	986,569	1,803,992	546,140
Total Revenues	31,939,934	36,272,191	35,438,718	37,255,967	38,986,781	40,923,100	39,864,732	41,236,677	42,832,243	42,029,058

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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instruction										
Regular Programs	13,727,925	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
Special Programs	3,259,877	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
Vocational Education Programs	670,273	676,897	616,737	655,084	664,143	689,461	731,688	864,048	996,154	329,114
Other Instructional Programs	209,349	88,851	88,066	91,074	83,186	86,282	99,814	94,305	89,797	17,953
Nonpublic School Programs								9,665	15,076	11,869
Support Services										
Pupil Personnel	850,964	914,473	983,181	906,165	1,017,844	1,010,492	1,015,672	959,770	1,043,243	1,035,206
Instructional Staff	631,516	718,862	784,969	765,422	846,427	974,308	937,647	936,357	1,029,282	1,074,732
Administration	2,080,227	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
Pupil Health	264,145	292,197	318,630	342,729	368,543	404,446	409,206	373,792	388,315	388,458
Business	285,331	312,831	325,191	338,062	386,600	345,470	340,491	351,306	369,815	325,753
Operation & Maint. of Plant Services	2,884,447	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
Pupil Transportation	1,454,862	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
Central Services	197,479	200,970	311,040	384,090	325,887	412,482	496,456	513,676	681,399	579,463
Other Support Services	36,335	36,289	38,844	39,835	42,437	44,254	46,453	47,777	48,620	47,195
Non Instructional Services										
Student Activities	678,081	757,085	945,821	871,476	917,732	978,279	1,056,097	1,073,353	1,141,832	1,028,078
Community Services	-	-	-	-	-	-	-	1,761	5,200	2,171
Capital Outlay *	6,679,271	3,238,180	63,304	187,338	301,439	2,589,996	8,113,965	3,255,959	698,916	779,477
Debt Service										
Principal	1,250,000	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
Swaption Termination Fees**	-	-	-	-	-	-	-	-	2,354,000	-
Interest	3,295,050	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
Refund of Prior Year's Receipts	153,917	169,389	216,037	13,886	124,442	45,539	170,636	21,513	9,562	4,585
Total Expenditures	38,609,049	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
Debt Service as a Percentage of non capital*** expenditures										
	14.23%	12.92%	12.30%	12.26%	11.43%	11.58%	12.37%	12.00%	10.55%	12.43%

* - Capital Outlay decreased subsequent to the fiscal year ending June 30, 2004 due to the completion of the Middle School construction project and increased in the fiscal year ending June 30, 2008 with the commencement of 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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess of Revenues Over (Under) Expenditures	(6,669,115)	(42,414)	636,134	1,767,749	1,566,287	(1,533,784)	(8,439,625)	(1,611,972)	(1,551,044)	884,582
Other Financing Sources (Uses)										
Long Term Debt Issued	9,995,000	-	-	9,930,000	16,257,016	34,128,556	7,663,762	-	12,682,906	
Long Term Debt Retired	(8,672,161)	-	-	(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	6,301,514	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
Operating Transfers Out	(6,301,514)	(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)
Total Other Financing Sources (Uses)	<u>1,322,839</u>	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>1,065,003</u>	<u>10,003,556</u>	<u>1,974,654</u>	<u>564</u>	<u>3,290,006</u>	<u>800</u>
Special Item	-	-	-	-	693,016	-	-	-	-	-
Net Change in Governmental Fund Balance	<u>(5,346,276)</u>	<u>(20,914)</u>	<u>636,134</u>	<u>1,767,749</u>	<u>3,324,306</u>	<u>8,469,772</u>	<u>(6,464,971)</u>	<u>(1,611,408)</u>	<u>1,738,962</u>	<u>885,382</u>

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>
2012 (1)	21.35	\$26,944,776	\$25,715,701	95.44%	N/A	\$25,715,701	95.44%
2011 (1)	20.88	26,018,630	24,867,448	95.58%	324,164	25,191,612	96.82%
2010 (1)	20.88	25,742,981	24,500,905	95.18%	603,861	25,104,766	97.52%
2009 (1)	20.53	24,924,430	23,705,681	95.11%	896,324	24,602,005	98.71%
2008	20.53	25,306,021	24,052,946	95.05%	1,010,574	25,063,520	99.04%
2007	20.53	25,016,096	23,804,688	95.16%	1,040,120	24,844,808	99.32%
2006	20.53	24,242,885	23,333,594	96.25%	977,959	24,311,553	100.28% (2)
2005	20.10	23,479,779	22,345,992	95.17%	894,368	23,240,360	98.98%
2004	19.25	22,456,960	21,376,879	95.19%	835,665	22,212,544	98.91%
2003	18.25	20,940,393	19,542,637	93.33%	708,788	20,251,425	96.71%

The sum of the taxes collected and the taxes lienred 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, 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 allocated \$858,278 for the year ending June 30, 2012, \$859,492 for the year ending June 30, 2011, \$858,726 for the year ending June 30, 2010 and \$859,427 for the year ending June 30, 2009 to the District to reduce property taxes. The tax relief was in the form of a homestead exemption rebate of \$157 per homestead for the year ending June 30, 2012, \$159 per homestead for the year ending June 30, 2011, \$161 per homestead for the year ending June 30, 2010 and \$165 per homestead for the year ending June 30, 2009.

(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>
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
2003	1,012,941,916	134,476,900	1,147,418,816	18.25

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>
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
2002	53	990,000	12,340,285	13,330,285	1,147,418,816

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
2011-12 Fiscal Year and 2002-03 Fiscal Year**

<u>Name</u>	<u>Type of Property</u>	<u>2011-12 Assessment</u>	<u>2011-12 % 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%
Conceptual Development Inc	Commercial	2,291,500	0.18%
Total Assessed Value - Ten Principal Taxpayers (2011-12)		<u>\$62,417,010</u>	<u>4.79%</u>

Total District Assessed Value (2011-12) \$1,302,250,789

<u>Name</u>	<u>Type of Property</u>	<u>2002-03 Assessment</u>	<u>2002-03 % of Total Assessment</u>
Coventry Square Associates	Apartments	14,075,700	1.23%
PPG Industries	Office/Research	11,735,400	1.02%
St. Margaret Nursing Home	Medical/Residential	7,728,100	0.67%
Shoppers Plaza Land Company	Commercial	5,641,900	0.49%
Stone Lodge, Inc.	Country Club	5,343,900	0.47%
Route 8 Holding Co., Inc.	Commercial	4,321,900	0.38%
Hammel, Charles	Residential	3,084,800	0.27%
Schmitt, Louis & Carol	Residential	2,982,300	0.26%
HCPI Trust	Commercial	2,453,100	0.21%
SAR Hospitality	Medical/Residential	2,349,700	0.20%
Total Assessed Value - Ten Principal Taxpayers (2002-03)		<u>\$59,716,800</u>	<u>5.20%</u>

Total District Assessed Value (2002-03) \$1,147,418,816

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 District	 -----Overlapping Rates----- 		Total Direct & Overlapping Rates
		<u>Hampton Township</u>	<u>Allegheny County</u>	
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
2003	18.25	1.8000	4.69	24.7400

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

Table 13

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Major Employers within the School District Comparison
2011-12 Fiscal Year and 2002-03 Fiscal Year**

<u>Employer Name</u>	<u>Product or Service</u>	<u>Approximate Employment 2011-12</u>	<u>Percent of Total Employment 2011-12</u>	<u>Approximate Employment 2002-03</u>	<u>Percent of Total Employment 2002-03</u>
Hampton Township School District	Public Education	401	6.5%	426	7.3%
PPG Industries	Office / Research	293	4.7%	450	7.8%
Home Depot	Retail	139	2.2%	N/A	N/A
Wildwood Golf Club	Country Club	99	1.6%	110	1.9%
Eat 'n Park	Restaurant	86	1.4%	90	1.6%
Township of Hampton	Government	71	1.1%	70	1.2%
Pennsylvania Turnpike	Government	63	1.0%	75	N/A
University of Pittsburgh Medical Center	Medical	60	1.0%	N/A	N/A
Landmark Health Care	Medical / Residential	60	1.0%	65	N/A
County of Allegheny	Government	54	0.9%	60	1.0%
Approximate District-Wide Employment		6,200		5,800	

Source: Earned Income Tax and Local Services Tax Reports

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		Ratio of Bonds, Notes & Capital Leases Outstanding to Assessed Value (b)	Bonds, Notes & Capital Leases Outstanding Per Capita (c,d)
			Bonds, Notes & Capital Leases Outstanding as a Percent of Personal Income (a)	Bonds, Notes & Capital Leases Outstanding		
2012	\$25,519	\$66,386,923	10.37%		5.10%	\$3,617 (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)
2003	-	63,722,946	14.46%		5.55%	3,636 (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

Table 15

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

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Borrowing Base Revenues	\$89,431,024	\$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
Average borrowing Base (total revenues divided by 3)	\$29,810,341	\$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
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	\$67,073,268	\$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
Total District Debt applicable to Limit	<u>\$63,722,946</u>	<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>\$66,386,923</u>
Legal Debt Margin	<u>\$3,350,322</u>	<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>\$29,475,367</u>
Legal Debt Margin as a Percentage of Debt Limit	5.00%	10.81%	18.48%	24.93%	26.35%	23.15%	24.35%	27.04%	28.43%	30.75%

Source: District Financial Reports

HAMPTON TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Government Debt
as of June 30, 2012

Governmental Unit	Debt Outstanding	Percentage Applicable to School District Residents	Estimated Share of Direct and Overlapping Debt
Overlapping Debt			
Township of Hampton (a)	\$16,735,996	100.00%	\$16,735,996
County of Allegheny (a)	\$771,641,419	2.21% (b)	<u>\$17,053,275</u>
	Subtotal of Overlapping Debt		\$33,789,271
Direct Debt			
Hampton Township School District			
Bonds, Notes and Capital Lease			<u>\$66,412,442</u>
Total Direct and Overlapping Debt			<u>\$100,201,713</u>
Ratio of Total Direct and Overlapping Debt			
Percentage of Real Estate Assessed Value			7.69%
Per Capita (c)			\$5,457

(a) Township and County Outstanding Debt as of December 31, 2011

(b) County Percentage of Overlapping Debt based on the ratio of School District Assessed Value (\$1,302,250,789) to County Assessed Value (\$58,918,965,521)

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)
2012	18,363	\$640,469,400	\$34,878	7.3%
2011	18,363	727,200,600	39,601	7.6%
2010	18,363	606,157,800	33,010	7.8%
2009	18,363	594,952,200	33,947	7.4%
2008	18,363	670,779,400	38,273	5.2%
2007	18,363	609,677,200	34,787	4.4%
2006	18,363	584,688,600	33,361	5.0%
2005	17,526	547,216,200	31,223	5.4%
2004	17,526	484,830,600	27,664	5.9%
2003	17,526	440,707,400	25,146	6.4%

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
2012	3,095	\$35,347,945	\$11,421	\$41,144,476	\$13,294	210	14.74	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	37,291,940	11,941	217	14.39	6.04%
2006	3,110	30,921,138	9,942	36,019,327	11,582	221	14.07	6.54%
2005	3,159	30,465,832	9,644	35,211,295	11,146	217	14.56	6.47%
2004	3,219	28,802,819	8,948	33,944,496	10,545	217	14.83	7.06%
2003	3,229	27,304,833	8,456	31,990,517	9,907	223	14.48	5.91%

(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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Teachers	223	217	217	221	217	218	219	218	215	209
Paraprofessionals	64	54	54	50	54	52	50	45	45	42
Maintenance / Custodial	37	40	40	39	39	38	39	40	40	40
Secretarial	31	31	30	31	31	30	30	29	29	29
Other	23	34	31	30	27	29	27	27	26	25
Administrators	17	18	18	18	19	19	19	19	18	18
Food Service	<u>30</u>	<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>
Total	<u>425</u>	<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>

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)
2012	\$50,537	\$89,595	\$52,787	\$92,285
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
2003	39,111	72,270	39,811	73,810

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

Table 21

**HAMPTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years**

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<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	568	551	549	520	534	516	513	510	522	513
Professional Staff	43	43	43	38	38	43	38	39	38	37
Support Staff	31	28	26	35	35	25	24	22	22	21
Poff Elementary										
Original Construction - 1962; Latest Renovation - 2009										
Square Feet	45,400	45,400	45,400	45,400	45,400	45,400	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	390	379	364	330	336	323	319	329	317	307
Professional Staff	27	27	25	22	22	30	26	29	28	27
Support Staff	15	18	20	24	24	17	16	15	15	15
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	414	420	416	423	409	410	410	413	397	419
Professional Staff	29	30	32	24	24	33	33	33	33	33
Support Staff	22	22	17	24	24	16	16	15	15	15

Table 21
(Continued)

HAMPTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Secondary Schools</u>										
Middle School										
Original Construction - 2003										
Square Feet	N/A	144,500	144,500	144,500	144,500	144,500	144,500	144,500	144,500	144,500
Capacity	N/A	900	900	900	900	900	900	900	900	900
Number of Classrooms	N/A	52	52	52	52	52	52	52	52	52
Enrollment	N/A	751	725	741	752	771	790	756	759	745
Professional Staff	N/A	65	64	62	62	69	71	66	67	65
Support Staff	N/A	34	33	34	33	31	30	28	27	26
Middle School										
Original Construction - 1941 ; Latest Renovation - 1957										
Square Feet	105,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capacity	865	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Classrooms	44	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Enrollment	786	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professional Staff	77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Support Staff	49	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Table 21
(Continued)**

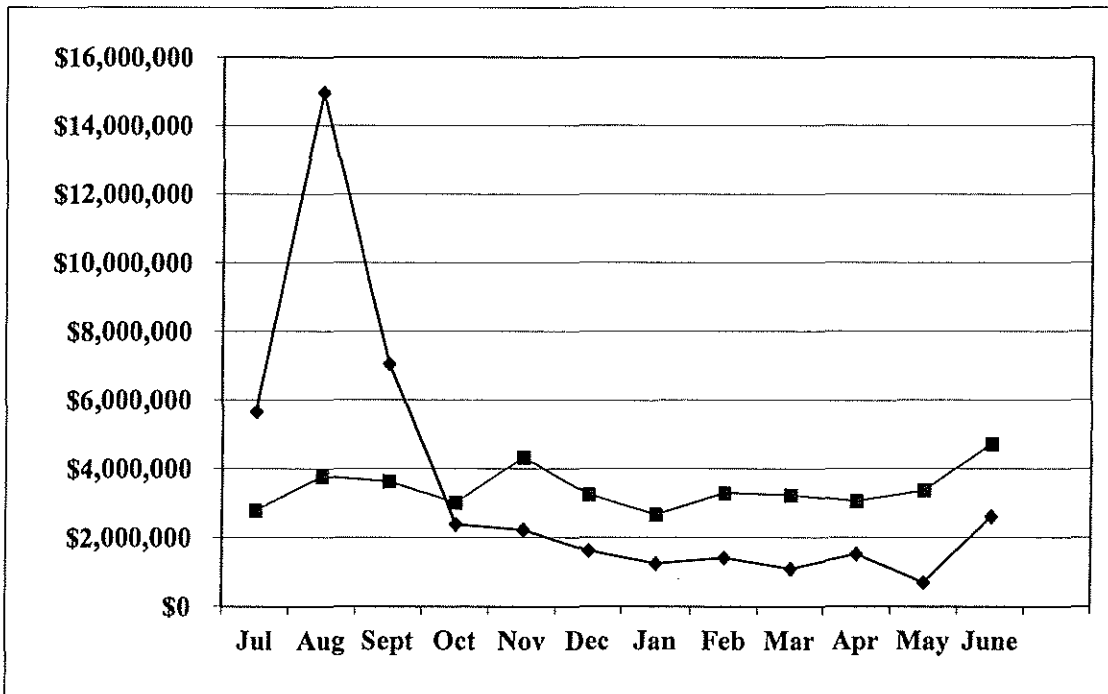
**HAMPTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years**

	Fiscal Year Ending June 30,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Secondary Schools (continued)</u>										
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	1,071	1,118	1,105	1,086	1,092	1,065	1,055	1,101	1,095	1,111
Professional Staff	77	83	82	79	79	77	79	83	81	77
Support Staff	49	60	59	57	57	46	48	44	43	41
<u>Administration Offices</u>										
Original Construction - 2003										
Square Feet	N/A	5,850	5,850	5,850	5,850	5,850	5,850	5,850	5,850	5,850
Professional Staff	N/A	9	9	9	9	10	10	8	7	7
Support Staff	N/A	9	9	10	9	9	9	10	11	11

Source: School District Records

**HAMPTON TOWNSHIP SCHOOL DISTRICT
Cash Flow Analysis
2011-12 General Fund**

<u>Month</u>	<u>Receipts</u>	<u>Disbursements</u>
July	\$5,661,271	\$2,791,725
August	14,970,877	3,776,714
September	7,043,801	3,632,601
October	2,385,463	3,017,425
November	2,228,113	4,333,539
December	1,618,076	3,255,752
January	1,247,600	2,669,585
February	1,420,079	3,298,454
March	1,100,427	3,234,405
April	1,520,248	3,059,171
May	696,333	3,370,911
June	<u>2,611,658</u>	<u>4,717,527</u>
Total	<u>\$42,503,946</u>	<u>\$41,157,809</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

Table 23

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

School District Name	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Allegheny Valley	18.00	18.00	20.50	21.50	22.23	23.21	23.46	23.46	23.46	23.46
Avonworth	14.70	17.70	17.20	18.20	18.80	18.80	19.30	20.00	20.00	20.94
Baldwin-Whitehall	23.11	23.11	23.11	24.61	24.61	23.61	23.50	23.40	23.40	23.40
Bethel Park	19.41	22.00	22.25	22.75	22.75	23.18	23.73	24.56	24.97	25.49
Brentwood	25.85	25.85	26.85	28.27	28.27	28.27	28.27	28.27	28.27	28.27
Carlynton	21.50	24.15	24.15	24.15	24.15	24.15	24.15	24.15	23.15	23.15
Chartiers Valley	18.60	18.60	18.60	19.32	19.32	19.32	19.32	19.88	19.88	19.88
Clairton	19.50	19.50	22.00	22.00	22.00	22.00	22.00	25.79	25.79	26.80
Cornell	19.89	19.89	19.89	20.89	21.74	22.93	22.93	24.11	25.96	26.55
Deer Lakes	21.50	23.00	23.00	23.00	24.04	25.32	26.25	26.25	26.69	26.69
Duquesne	21.10	21.10	21.10	21.10	21.10	21.10	21.10	21.10	21.10	21.10
East Allegheny	22.15	23.54	24.54	25.54	26.54	26.54	26.54	27.54	27.54	27.54
Elizabeth Forward	21.61	21.36	21.36	21.36	21.36	21.36	23.51	23.76	25.01	25.01
Fox Chapel	16.57	17.82	17.82	19.07	19.71	20.30	20.78	21.26	21.56	21.56
Gateway	17.41	18.41	19.40	19.41	19.41	19.41	19.41	21.02	21.02	21.85
Hampton Township School District	19.25	20.10	20.53	20.53	20.53	20.53	20.88	20.88	21.35	21.35
Highlands	21.25	23.71	23.71	23.71	23.71	23.71	23.71	24.41	26.41	26.41
Keystone Oaks	19.41	20.41	21.31	21.31	21.31	21.31	21.31	22.03	22.03	22.03
McKeesport	18.21	18.21	18.21	17.71	17.71	17.71	16.71	16.71	17.05	17.49
Montour	16.24	18.80	18.30	18.30	18.90	18.90	18.90	18.90	18.90	18.90
Moon Area	15.72	15.97	15.97	19.11	19.61	20.47	21.30	21.30	21.30	21.30
Mt. Lebanon	20.16	22.76	23.18	23.56	23.56	23.81	24.11	26.63	26.63	27.13
North Allegheny	18.52	18.52	18.52	19.72	19.34	18.99	18.99	19.74	20.26	20.92
North Hills	16.50	18.50	18.50	18.50	19.10	19.60	19.35	19.91	20.91	21.26
Northgate	23.00	23.50	23.50	24.50	24.50	24.50	24.50	27.60	28.60	28.60
Penn Hills	19.00	19.91	19.91	23.39	23.39	24.81	24.81	24.81	24.81	24.81
Pine Richland	18.60	20.20	20.20	20.20	20.20	20.20	20.20	21.91	21.91	22.82
Plum	19.00	20.80	21.20	22.20	22.20	22.20	22.20	22.20	22.20	22.20
Quaker Valley	15.10	16.90	16.90	18.85	19.35	19.75	19.75	20.70	20.95	21.25
Riverview	20.80	21.50	22.10	22.74	23.36	23.11	23.26	24.05	24.79	25.36
Shaler	22.30	23.00	23.50	24.25	24.70	24.70	24.70	25.63	25.63	25.63
South Allegheny	14.98	20.96	20.46	18.21	18.11	18.11	18.11	18.11	18.49	18.49
South Fayette	20.29	20.29	20.29	21.19	23.14	24.04	24.04	24.88	27.83	28.82
South Park	22.70	24.70	24.70	24.70	24.70	25.99	25.99	25.99	25.99	25.99
Steel Valley	18.92	18.92	18.92	18.92	21.21	21.21	21.21	24.07	24.16	24.16
Sto - Rox	24.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Upper St. Clair	20.26	21.78	22.45	22.45	24.45	22.45	23.37	23.77	24.10	25.72
West Allegheny	18.60	18.60	21.50	21.50	21.50	22.00	22.00	22.00	22.00	22.00
West Jefferson Hills	18.79	19.99	19.99	19.99	19.99	21.08	21.08	21.08	21.08	21.08
West Mifflin	18.59	21.09	21.09	21.09	21.09	22.29	22.99	22.99	22.99	22.99
Wilkesburg	32.00	32.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	36.67
Woodland Hills	23.30	23.30	23.90	23.90	24.65	24.65	25.65	25.65	25.65	26.21
County Wide Average	19.91	21.03	21.44	21.95	22.29	22.51	22.70	23.35	23.66	23.96
Hampton Township Schools Millage	<u>19.25</u>	<u>20.10</u>	<u>20.53</u>	<u>20.53</u>	<u>20.53</u>	<u>20.53</u>	<u>20.88</u>	<u>20.88</u>	<u>21.35</u>	<u>21.35</u>
Difference - Favorable (Unfavorable)	<u>0.66</u>	<u>0.93</u>	<u>0.91</u>	<u>1.42</u>	<u>1.76</u>	<u>1.98</u>	<u>1.82</u>	<u>2.47</u>	<u>2.31</u>	<u>2.61</u>

Source: Allegheny Intermediate Unit Survey

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

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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, 2012 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. 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 With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133
- 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

December 17, 2012

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

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

Dear Members:

We have audited 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, 2012, which collectively comprise Hampton Township School District's basic financial statements and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Hampton Township School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Hampton Township School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hampton Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton Township School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Internal Control Over Financial Reporting (Cont'd)

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
December 17, 2012

CERTIFIED PUBLIC ACCOUNTANTS
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**Independent Auditor's Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133**

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

Dear Members:

Compliance

We have audited Hampton Township School District's compliance with the types of compliance requirements described in *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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Hampton Township School District's management. Our responsibility is to express an opinion on Hampton Township School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Hampton Township School District's compliance with those requirements.

In our opinion, Hampton Township School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Hampton Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hampton Township School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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

This report is intended solely for the information and use of management, the Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
December 17, 2012

Hampton Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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; 84.391; 84.173	Special Education Cluster - IDEA; ARRA - 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, 2012**

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, 2012**

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 07/01/11	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/12
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	\$ 63,210	\$ -	\$ 93,230	\$ 93,230	\$ 30,020
Title I	I	84.010	013-110179	09/20/10-09/30/11	96,700	21,786	15,695	6,091	6,091	-
Title I - Academic Achievement	I	84.010	077-110179	09/20/10-09/30/11	10,000	7,692	7,692	-	-	-
Title I - Academic Achievement	I	84.010	077-100179	10/26/09-09/30/10	11,800	(739)	(739)	-	-	-
ARRA - EduJobs Fund	I	84.410	140-120179	07/01/11-06/30/12	5,130	-	-	5,130	5,130	5,130
Title II - Improving Teacher Quality	I	84.367	020-110179	09/20/10-09/30/11	65,469	45,253	7,554	37,699	37,699	-
Title II - Improving Teacher Quality	I	84.367	020-120179	07/01/11-09/30/12	54,803	21,999	-	54,802	54,802	32,803
Passed through the Allegheny										
Intermediate Unit										
IDEA Grant	I	84.027	062-120003	07/01/11-06/30/12	377,268	377,268	-	377,268	377,268	-
IDEA Grant	I	84.027	062-110003	07/01/10-06/30/11	389,992	127,738	127,738	-	-	-
ARRA - IDEA Grant	I	84.391	128-110003	07/01/10-06/30/11	265,390	79,248	75,449	3,799	3,799	-
IDEA - Preschool Grant	I	84.173	131-110003	07/01/11-06/30/12	1,775	1,775	-	1,775	1,775	-
Title III - English Language Acquisition	I	84.365	RA-010-110603	10/25/10-09/30/11	1,322	-	(1,322)	1,322	1,322	-
Total U. S. Department of Education						<u>745,230</u>	<u>232,067</u>	<u>581,116</u>	<u>581,116</u>	<u>67,953</u>
U. S. Department of Health and Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	N/A	N/A	6,491	2,331	4,160	4,160	-
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/11-06/30/12	N/A	194,914	35,762	161,507	161,507	2,355
National School Breakfast Program	I	10.553	N/A	07/01/11-06/30/12	N/A	21,385	3,985	17,878	17,878	478
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/11-06/30/12	N/A	49,388	(20,012)	54,120	54,120	(15,280)
Total U. S. Department of Agriculture						<u>265,687</u>	<u>19,735</u>	<u>233,505</u>	<u>233,505</u>	<u>(12,447)</u>
Total Federal Financial Assistance						<u>\$1,017,408</u>	<u>\$254,133</u>	<u>\$818,781</u>	<u>\$818,781</u>	<u>\$ 55,506</u>

Hampton Township School District
Schedule of Expenditures of Federal Awards
Footnotes
June 30, 2012

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	\$1,017,408
Add: State Funding on Confirmation	54,833
Add: Medical Assistance	602,073
Less: Pass Through AIU	(586,029)
Less: Donated Commodities	(49,388)
Less: Medical Assistance Title 19	<u>(6,491)</u>
Per Subsidy Confirmation	<u>\$1,032,406</u>

**Hampton Township School District
List of Report Distribution
June 30, 2012**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census