

POTTSVILLE AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

POTTSVILLE, PENNSYLVANIA

FOR THE YEAR ENDED JUNE 30, 2012

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CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

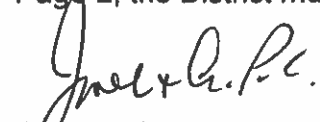
We have performed the OMB Circular A-133 Single Audit of the Pottsville Area School District for the year ended June 30, 2012. OMB Circular A-133 indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted as soon as possible but no later than March 31, 2013.

The Single Audit was done to fulfill the requirements of the OMB Circular A-133. It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (4) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (5) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (6) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have not enclosed a management letter for the fiscal year ended June 30, 2012.

When filing the Single Audit Report and the Data Collection Form with the agencies listed on Page 2, the District must enclose the appropriate number of reports as listed.



January 16, 2013
Pottsville, Pennsylvania

POTTSVILLE AREA SCHOOL DISTRICT

LIST OF REPORT DISTRIBUTION

JUNE 30, 2012

- | | |
|---|---|
| 1 Single Audit Report - | Prothonotary Office
Schuylkill County Courthouse
Pottsville, PA |
| 1 Single Audit Report,
Data Collection Form &
Single Audit Reporting
Package Checklist | Must be submitted Via Electronic
Mail (E-mail)
Commonwealth of Pennsylvania
Office of the Budget - Bureau of
Audits, Special Audit Services
Division
RA-BOASingleAudit@state.pa.us |
| 1 Single Audit Report and
Data Collection Form | Federal Audit Clearinghouse
Via Internet Website
www.harvester.census.gov/sac |

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pottsville Area School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pottsville Area School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

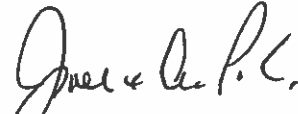
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the 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 the Pottsville Area School District, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2013 on our consideration of the Pottsville Area 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 the internal control over financial reporting and compliance and the results of the 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 on pages 9 through 22 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 the Pottsville Area School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


January 16, 2013
Pottsville, Pennsylvania

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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**

Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pottsville Area School District, as of and for the year ended June 30, 2012, which collectively comprise the Pottsville Area School District's basic financial statements and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

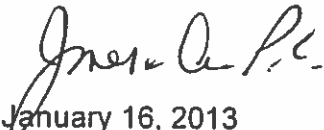
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination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

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 above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pottsville Area 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 the board of directors, management, others within the organization, 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.



January 16, 2013
Pottsville, Pennsylvania

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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**

Board of School Directors
Pottsville Area School District
Pottsville, Pennsylvania

Compliance

We have audited the Pottsville Area School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Pottsville Area School District's major programs for the year ended June 30, 2012. Pottsville Area 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 Pottsville Area School District's management. Our responsibility is to express an opinion on Pottsville Area 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 Pottsville Area 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 on Pottsville Area School District's compliance with those requirements.

In our opinion, Pottsville Area School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

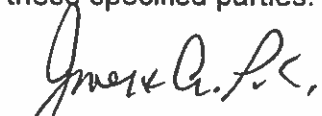
Internal Control Over Compliance

Management of Pottsville Area 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 Pottsville Area 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 Pottsville Area 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 the board of directors, management, others within the organization, 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.



January 16, 2013
Pottsville, Pennsylvania

**POTTSVILLE AREA SCHOOL DISTRICT
POTTSVILLE, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2012**

The discussion and analysis of Pottsville Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

FINANCIAL HIGHLIGHTS

During the fiscal year 2011-2012, the Pottsville Area School District experienced another year of significant increases in the costs for instruction and for health benefits for our employees. However, in the budgeting process, the Board of School Directors was able to balance the budget without any increase in millage to our taxpayers.

USING THE ANNUAL FINANCIAL REPORT (AFR)

This annual report consists of two distinct series of financial statements: district-wide and fund.

The first two statements (district-wide) are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements (fund) focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general 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 District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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
Pottsville Area School District's
Financial Report**

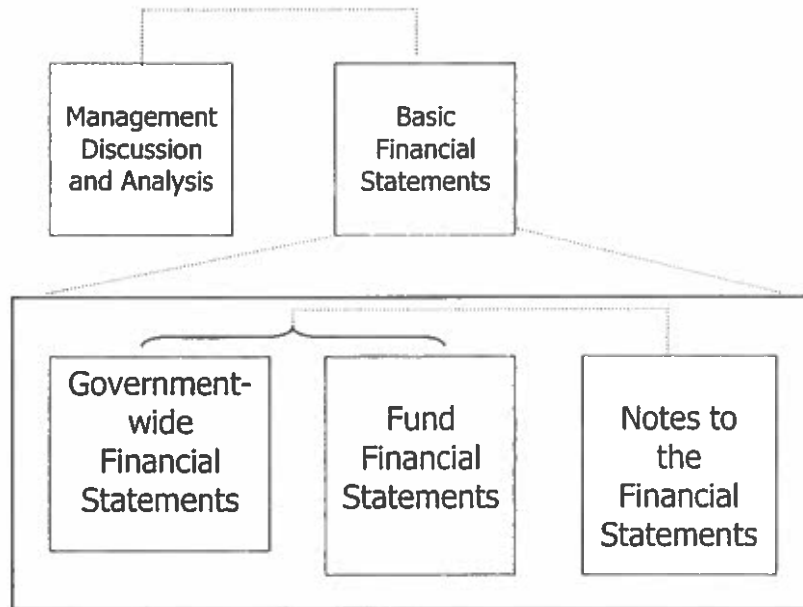


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

Figure A-2 Major Features of Pottsville Area School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government- wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of Net Assets (NAGW) Statement of Activities (SOA)	Balance Sheet (NAG) Statement of Revenues, Expenditures, and Changes in Fund Balance (REG)	Statement of Net Assets (NAP) Statement of Revenues, Expenses, and Changes in Fund Net Assets (REP) Statement of Cash Flows (CFP)	Statement of Fiduciary Net Assets (NAF) Statement of Changes in Fiduciary Net Assets (CNAF)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the 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.

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

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

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

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

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

Fund Financial Statements

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

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

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for some scholarship and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were smaller on June 30, 2012 when compared to the prior fiscal year. Total net assets decreased \$1,711,689 or -7.57% during the year from \$22,600,278 to \$20,888,589 on June 30, 2012. (See Table A-3.)

**Table A-3
Pottsville Area School District
For Years Ended June 30, 2012 and 2011
Net Assets**

	Governmental Activities 2011-2012	Governmental Activities 2010-2011	Business-Type Activities 2011-2012	Business-Type Activities 2010-2011	Total 2011-2012	Total 2010-2011
Current and other assets	\$22,154,959	\$24,246,235	\$341,301	\$464,891	\$22,496,260	\$24,711,126
Capital assets	9,949,119	9,731,640	11,953	18,585	9,961,072	9,750,225
Total Assets	32,104,078	33,977,875	353,254	483,476	32,457,332	34,461,351
Current and other liabilities	4,540,685	4,136,233	43,138	27,495	4,583,823	4,163,728
Long-term liabilities	6,975,292	7,688,338	9,628	9,007	6,984,920	7,697,345
Total Liabilities	11,515,977	11,824,571	52,766	36,502	11,568,743	11,861,073
Invested in capital assets net of related debt	3,901,351	3,396,869	11,953	18,585	3,913,304	3,415,454
Capital Projects	1,925,677	2,197,538	0	0	1,925,677	2,197,538
Unrestricted total net assets	14,761,073	16,558,897	288,535	428,389	15,049,608	16,987,286
Total Net Assets	\$20,588,101	\$22,153,304	\$300,488	\$446,974	\$20,888,589	\$22,600,278

Most of the District's net assets are invested in capital assets (buildings, land, and equipment).

Table A-4
Pottsville Area School District
Change in Net Assets
For Years Ended June 30, 2012 and 2011

	Governmental Activities 2011-2012	Governmental Activities 2010-2011	Business-Type Activities 2011-2012	Business-Type Activities 2010-2011	Total 2011-2012	Total 2010-2011
REVENUES:						
Program Revenues						
Charges for Services	\$0	\$0	\$663,016	\$701,770	\$663,016	\$701,770
Operating Grants & Contributions	5,008,793	8,236,638	1,028,796	1,000,232	6,037,589	9,236,870
General Revenues						
Property Taxes	8,289,513	8,185,451	0	0	8,289,513	8,185,451
Other Taxes	3,599,225	5,064,446	0	0	3,599,225	5,064,446
State Formula Aid	13,088,376	11,942,507	0	0	13,088,376	11,942,507
Investment Earnings	86,899	85,719	13,883	1,017	87,310	86,736
Other	3,186,883	3,379,170	0	0	3,200,355	3,379,170
Total Revenues	33,259,689	36,893,931	1,705,695	1,703,019	34,965,384	38,596,950
EXPENSES:						
Depreciation - unallocated	408,528	339,541	0	0	408,528	339,541
Instruction	22,424,617	20,352,531	0	0	22,424,617	20,352,531
Instructional Student Support	2,160,381	2,260,577	0	0	2,160,381	2,260,577
Administration	3,092,012	2,926,046	0	0	3,092,012	2,926,046
Operation & Maintenance of Facilities	4,020,847	4,048,767	0	0	4,020,847	4,048,767
Pupil Transportation	1,168,033	1,675,523	0	0	1,168,033	1,675,523
Student Activities	1,086,896	1,048,115	0	0	1,086,896	1,048,115
Community Services	198,652	167,586	0	0	198,652	167,586
Interest on Long-Term Debt	264,926	311,422	0	0	264,926	311,422
Food Service	0	0	1,852,181	1,762,107	1,852,181	1,762,107
Less on Disposal of Assets	0	0	0	0	0	0
Total Expenses	34,824,892	33,130,108	1,852,181	1,762,107	36,677,073	34,892,215
INCREASE (DECREASE) IN NET ASSETS	\$(1,565,203)	\$3,763,823	\$(146,486)	\$(59,088)	\$(1,711,689)	\$3,704,735

The District's total revenues were \$34,965,384 for the year ended June 30, 2012. Taxes and State Formula Aid amounted to \$24,977,114 or 71% of total revenue for the year. Another \$6,037,589 or 18% came from State and Federal Aid for specific programs (Operating Grants and Contributions) and the remainder totaling \$3,950,681 or 11% from Fees Charged for Services as well as Investment Earnings and Miscellaneous Sources. (See Table A-4.)

The total cost of all programs and services was \$36,677,073 for the year ended June 30, 2012. The majority of the District's costs related to educating and servicing students (Instruction, Instructional Student Support, Pupil Transportation, Student Activities), in the amount of \$26,839,927 or 73%, Administrative Costs accounted for \$3,092,012 or 8%, Operation of the District's Facilities accounted for \$4,020,847 or 12%, Food Service Costs made up \$1,852,181 or 5%, and all other expenses accounted for \$872,106 or 2%. (See Table A-4.)

Total expenses exceeded revenues decreasing net assets by \$1,711,689. (See Table A-4.)

The cost of all District activities was \$36,677,073. (See Table A-4.)

- Some of the cost was paid by the users of the District's programs (\$663,016).
- Federal and state governments subsidized certain programs with grants and contributions (\$6,037,589).
- Most of the District's costs (\$28,264,779), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with taxes and state aid based on the statewide education aid formula and with investment earnings and other general revenues.

**Table A-5
Pottsville Area School District
Net Cost of Governmental Activities
For Years Ended June 30, 2012 and 2011**

	Total Cost of Services 2011-2012	Total Cost of Services 2010-2011	Percentage Change 2011-2012	Net Cost of Services 2011-2012	Net Cost of Services 2010-2011	Percentage Change 2011-2012
Depreciation – unallocated	\$408,528	\$339,541		(\$408,528)	(\$339,541)	
Instruction	22,424,617	20,352,531		(18,373,097)	(12,959,773)	
Instructional Student Support	2,160,381	2,260,577		(1,976,424)	(2,106,455)	
Administration	3,092,012	2,926,046		(2,939,342)	(2,809,188)	
Operation & Maintenance of Facilities	4,020,847	4,048,767		(3,921,423)	(3,971,444)	
Pupil Transportation	1,168,033	1,675,523		(707,537)	(1,224,013)	
Student Activities	1,086,896	1,048,115		(1,029,993)	(1,006,927)	
Community Services	198,652	167,586		(194,829)	(164,707)	
Interest & Charges on Long-Term Debt	264,926	311,422		(264,926)	(311,422)	
Food Service	0	0		0	0	
Less on Disposal of Assets	0	0		0	0	
Total Expenses	\$34,824,892	\$33,130,108	5.1%	(\$29,816,099)	(\$24,893,470)	19.7%

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers. (See Table A-5.)

FINANCIAL ANALYSIS OF DISTRICT FUNDS

As of June 30, 2012, the District's governmental funds reported a combined fund balance of \$16,171,842 a decrease of \$2,093,045 from the prior year amount of \$18,264,887. (See Table A-6.) The primary reasons for this are specific to two funds:

General Fund:

The District budgeted significantly for health benefit costs, costs for anticipated needs of special education, and transportation. These costs continue to increase from year to year and are a challenge for the district in budgeting. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of severely handicapped students can cause this expenditure to fluctuate. While the District does prepare a budget with a modest reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year. There were no significant unexpected expenditures during the year so the budgeted reserve amount was not needed.

Capital Reserve Fund:

The District has this fund for unforeseen and various capital expenditures.

**Table A-6
Pottsville Area School District
Change in Fund Balances
For Years Ended June 30, 2012 and 2011**

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General Fund	\$14,246,254	\$16,067,259	\$(1,821,005)
Capital Reserve Fund	1,925,588	2,197,538	(271,950)
Non-Major Funds	00	90	(90)
Totals	\$16,171,842	\$18,264,887	\$(2,093,045)

Revenues for the District's governmental funds were \$33,757,258 while total expenses were \$35,850,303 resulting in a net change in the fund balances of \$(2,093,045).

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 District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year-end with a positive addition to fund balance, which exceeds the total of these projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

The following provides a summary of General Fund revenues:

Table A-7
Pottsville Area School District
General Fund Revenues
For Years Ended June 30, 2012 and 2011

	Revenues 2011-2012	Revenues 2010-2011	Increase (Decrease)	% Change
Local Sources				
Taxes	\$12,354,077	\$12,755,117	\$(401,040)	
Interest	86,453	84,803	1,650	
Other	3,219,113	3,380,555	(161,442)	
State Sources	17,026,058	16,152,090	873,968	
Federal Sources	1,071,111	4,027,055	(2,955,944)	
Other Sources	0	0	0	
Total Revenue	\$33,756,812	\$36,399,620	(2,642,808)	-7.9%

Total General Fund revenue decreased by \$(2,642,808) or -7.9% from the previous year.
 (See Table A-7.)

The following provides a summary of General Fund expenditures:

**Table A-8
Pottsville Area School District
General Fund Expenditures
For Years Ended June 30, 2012 and 2011**

	Expenditures 2011-2012	Expenditures 2010-2011	Increase (Decrease)	% Change
Salaries	\$17,972,176	16,848,722	\$1,123,454	
Employee Benefits	7,756,049	6,614,488	1,141,561	
Purchased Services	7,135,927	5,769,431	1,366,496	
Supplies	1,611,425	1,925,613	(314,188)	
Equipment	161,171	1,028,118	(866,947)	
Debt Service	544,927	581,338	(36,411)	
Other Expenditures	396,142	409,883	(13,741)	
Total Expenditures	\$35,577,817	\$33,177,593	\$2,400,224	7.2%

Total General Fund expenditures increased \$2,400,225 or 7.2% from the previous year. The primary reason for this increase is due to higher costs in salaries and benefits. (See Table A-8.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, the District had \$9,961,072, an increase of \$210,847, invested in a broad range of capital assets, including land, buildings and furniture, and equipment. (See Table A-9.)

The following provides a summary of our Capital Assets:

Table A-9
Pottsville Area School District
Capital Assets
For Years Ended June 30, 2012 and 2011

	Governmental Activities 2011-2012	Governmental Activities 2010-2011	Business-Type Activities 2011-2012	Business-Type Activities 2010-2011	Total 2011-2012	Total 2010-2011	% Change
Site Improvements	\$181,963	\$105,800	\$0	\$0	\$181,963	\$105,800	
Building and Building Improvements	7,257,267	7,534,181	0	0	7,257,267	7,534,181	
Furniture and Equipment	2,351,571	1,919,313	11,953	18,585	2,363,524	1,937,898	
Construction In Progress	0	0	0	0	0	0	
Long-Term Prepayments	0	0	0	0	0	0	
Accumulated Depreciation and Amortization	158,318	172,346	0	0	158,318	172,346	
Totals	\$9,949,119	\$9,731,640	\$11,953	\$18,585	\$9,961,072	\$9,750,225	2.1%

Debt Administration

The District has an extended term financing agreement with GE Capital with an outstanding balance of \$2,073,307.

In addition, the District has an extended capital lease agreement with DELL Financial Services for the purchase of various computer equipment with an outstanding balance of \$242,112; and with Capital One Public Funding, LLC formerly Banc of America Public Capital Corporation, for the purchase of a new district-wide telephone system with an outstanding balance of \$124,968.

On June 17, 2008, the District issued \$5,070,000 in general obligation bonds with the proceeds to be utilized for various capital improvements including roofing projects.

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the financial statements.

The following provides a summary of our Long-Term Liabilities:

Table A-10
Pottsville Area School District
Long-Term Liabilities
For Years Ended June 30, 2012 and 2011

	Year Ending June 30, 2012	Year Ending June 30, 2011	Increase (Decrease)	% Change
General Obligation Bonds	4,270,000	\$4,470,000	(\$200,000)	
Other Outstanding Debt & Compensated Absences	3,257,022	3,855,887	(598,865)	
Totals	\$7,527,022	\$8,325,887	(\$798,865)	(9.6%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A major financial issue facing the District again in fiscal year 2012-2013 will be the funding of special education costs for Pottsville students. In prior years, the District was part of a consortium arrangement with Schuylkill Intermediate Unit No. 29 for their special education services. The consortium was comprised of twelve county public school districts during the 2002-2003 school year, eleven during the 2003-2004 school year, and has been declining since then. As a result, Pottsville Area School District expenses for special education have increased each school year.

Starting with the 2005-2006 school year, the District had taken over their district-located special education classes. As a result, the District will have to continue to budget for district-located special education costs as well as budgeting for special education students still located at the Intermediate Unit.

Please note that after reconciliation received in November 2011, there was a decrease in the payment to the Intermediate Unit in the amount of \$354,473.70 for 2010-2011. There was a increase of \$65,135 for the 2011-2012 school year which the district owed after reconciliation in November 2012.

There is a tentative projected decrease in the payment to the Intermediate Unit for 2012-2013 in the amount of \$83,549 or (7.5%) noting that more could be owed after reconciliation in December 2013. In addition to the Intermediate Unit costs, the District has projected \$5,036,237 of Special Education costs for district-located classes.

It will be necessary to continue to closely monitor future special education costs due to the fact of the District taking over its district-located special education classes as well as our reconciliation from the Intermediate Unit not being received until December of the following year. (See Table A-11.)

**Table A-11
Pottsville Area School District
Intermediate Unit Special Education Costs
For Years Ended June 30, 2013; 2012; and 2011**

	IU Special Ed 2012-2013	IU Special Ed 2011-2012	% Change	IU Special Ed 2010-2011	% Change
Projected Figure	\$1,041,128	\$1,059,542	(7.5%)	\$1,532,119	(4.5%)
Adjustment		<u>65,135.24</u>		<u>-354,473.70</u>	
Final Owed		\$1,124,677.24		\$1,177,645.30	

The District's retirement contribution on behalf of its employees to the Pennsylvania School Employees Retirement System (PSERS) increased for 2012-2013 by 3.71%. (See Table A-12.) The District also expects health care premiums to increase approximately 10-12% per year for the foreseeable future. All of these factors may cause the Board to reduce programs, increase taxes, or both.

**Table A-12
Pottsville Area School District
Employer's Retirement Contributions**

Retirement 2012-2013	Retirement 2011-2012	Retirement 2010-2011	Retirement 2009-2010	Retirement 2008-2009
12.36%	8.65%	5.64%	4.78%	4.76%

The percentage of the total budget of revenue and expenditure by category for 2012-2013 as compared to 2011-2012 is as follows:

BUDGETED REVENUES

	<u>2012-2013</u>	<u>2011-2012</u>
Local	46%	46%
State	50%	50%
Federal/Other	4%	4%

BUDGETED EXPENDITURES

	<u>2012-2013</u>	<u>2011-2012</u>
Instruction	63%	64%
Support Services	31%	30%
Non-Instruction/Community	3%	3%
Fund Transfers/Debt	3%	3%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact David J. Delenick, Business Manager/Board Secretary at Pottsville Area School District, 1501 West Laurel Boulevard, Pottsville, PA 17901, (570) 621-2904.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS	Governmental Activities	Business-Type Activities	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 17,949,749	\$ 301,089	\$ 18,250,838
Taxes receivable, net	2,549,225	0	2,549,225
Intergovernmental receivables	1,655,985	0	1,655,985
Inventories	0	40,212	40,212
TOTAL CURRENT ASSETS	<u>22,154,959</u>	<u>341,301</u>	<u>22,496,260</u>
NON-CURRENT ASSETS			
Bond issuance costs - net of accumulated amortization	158,318	0	158,318
Land and site improvements - net of accumulated depreciation	181,963	0	181,963
Building and building improvements - net of accumulated depreciation	7,257,267	0	7,257,267
Furniture, equipment, and automobiles - net of accumulated depreciation	2,351,571	11,953	2,363,524
TOTAL NON-CURRENT ASSETS	<u>9,949,119</u>	<u>11,953</u>	<u>9,961,072</u>
TOTAL ASSETS	<u>\$ 32,104,078</u>	<u>\$ 353,254</u>	<u>\$ 32,457,332</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 736,181	\$ 0	\$ 736,181
Accrued salaries and benefits	3,171,854	12,795	3,184,649
Current portion of long-term debt	476,731	0	476,731
Current portion of compensated absences	75,000	0	75,000
Deferred revenues	0	36,741	36,741
Internal balances	6,398	(6,398)	0
Accrued interest	74,521	0	74,521
TOTAL CURRENT LIABILITIES	<u>4,540,685</u>	<u>43,138</u>	<u>4,583,823</u>
NON-CURRENT LIABILITIES			
Bonds payable	4,065,000	0	4,065,000
Extended term financing agreements payable	2,073,307	0	2,073,307
Long-term portion of compensated absences	744,973	9,628	754,601
Other postemployment benefits	92,012	0	92,012
TOTAL NON-CURRENT LIABILITIES	<u>6,975,292</u>	<u>9,628</u>	<u>6,984,920</u>
TOTAL LIABILITIES	<u>11,515,977</u>	<u>52,766</u>	<u>11,568,743</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,901,351	11,953	3,913,304
Restricted for capital projects and debt service	1,925,677	0	1,925,677
Unrestricted	14,761,073	288,535	15,049,608
TOTAL NET ASSETS	<u>20,588,101</u>	<u>300,488</u>	<u>20,888,589</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 32,104,078</u>	<u>\$ 353,254</u>	<u>\$ 32,457,332</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Business-Type Activities
GOVERNMENTAL ACTIVITIES				
Unallocated depreciation	\$ 408,528	\$ 0	\$ 0	\$ (408,528)
Instruction	22,424,617	0	4,051,520	(18,373,097)
Instructional student support	2,160,381	0	183,957	(1,976,424)
Administrative and financial support services	3,092,012	0	152,670	(2,939,342)
Operation and maintenance of plant services	4,020,847	0	99,424	(3,921,423)
Pupil transportation	1,168,033	0	460,496	(707,537)
Student activities	1,086,896	0	56,903	(1,029,993)
Community services	198,652	0	3,823	(194,829)
Interest on long-term debt	264,926	0	0	(264,926)
TOTAL GOVERNMENTAL ACTIVITIES	34,824,892	0	5,008,793	(29,816,099)
BUSINESS-TYPE ACTIVITIES				
Food services	1,852,181	663,016	1,028,796	0
TOTAL PRIMARY GOVERNMENT	36,677,073	663,016	6,037,589	(160,369)
GENERAL REVENUES AND TRANSFERS				
Taxes:				
Property taxes, levied for general purposes, net				8,289,513
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				3,599,225
Grants, subsidies, and contributions not restricted				13,088,376
Investment earnings				86,899
Miscellaneous				411
TOTAL GENERAL REVENUES AND TRANSFERS				28,250,896
CHANGE IN NET ASSETS				(1,565,203)
NET ASSETS - BEGINNING				22,153,304
NET ASSETS - ENDING				\$ 20,588,101
				\$ 300,488
				\$ 20,888,589

See notes to financial statements which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>General</u>	<u>Capital Reserve</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 16,024,071	\$ 1,925,588	\$ 89	\$ 17,949,748
Taxes receivable, net	2,549,225	0	0	2,549,225
Intergovernmental receivables	1,655,985	0	0	1,655,985
TOTAL ASSETS	<u>\$ 20,229,281</u>	<u>\$ 1,925,588</u>	<u>\$ 89</u>	<u>\$ 22,154,958</u>
 LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 736,181	\$ 0	\$ 0	\$ 736,181
Due to other funds	6,398	0	0	6,398
Accrued salaries and benefits	3,171,854	0	0	3,171,854
Deferred revenue	2,068,594	0	0	2,068,594
TOTAL LIABILITIES	<u>5,983,027</u>	<u>0</u>	<u>0</u>	<u>5,983,027</u>
 FUND EQUITY				
Restricted	0	1,925,588	89	1,925,677
Unassigned	14,246,254	0	0	14,246,254
TOTAL FUND EQUITY	<u>14,246,254</u>	<u>1,925,588</u>	<u>89</u>	<u>16,171,931</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 20,229,281</u>	 <u>\$ 1,925,588</u>	 <u>\$ 89</u>	 <u>\$ 22,154,958</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

AS OF JUNE 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 16,171,931

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.

Cost of capital assets 26,161,081
Less: accumulated depreciation (16,370,280)

Long-term liabilities, including bonds payable, are not due and
payable in the current period and are not reported as liabilities
in the funds.

Bond payable (4,270,000)
Extended term financing agreements payable (2,345,038)
Other postemployment benefits (92,012)
Compensated absences (819,973)

Delinquent personal and property taxes receivable will be collected
this year, but are not available soon enough to pay for the current
period's expenditures and are, therefore, deferred in the funds. 2,068,595

Governmental funds report debt issuance costs and debt issuance
premiums and discounts as an other financing source or use at
the time of issuance. These items are reported as
an unamortized asset or liability in the District-wide financial statements. 158,318

Governmental funds do not report a liability for accrued interest
until due and payable. (74,521)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 20,588,101

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	General	Capital Reserve	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Local sources	\$ 15,659,643	\$ 446	\$ 0	\$ 15,660,089
State sources	17,026,058	0	0	17,026,058
Federal sources	1,071,111	0	0	1,071,111
TOTAL REVENUES	<u>33,756,812</u>	<u>446</u>	<u>0</u>	<u>33,757,258</u>
OTHER FINANCING SOURCES				
Refunds of prior year expenditures	0	0	0	0
Interfund transfers	0	0	0	0
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>33,756,812</u>	<u>446</u>	<u>0</u>	<u>33,757,258</u>
EXPENDITURES				
Instruction	23,195,586	0	0	23,195,586
Support services	10,280,662	0	0	10,280,662
Non-instructional services	1,282,739	0	1	1,282,740
Capital outlay	0	272,396	0	272,396
Debt service	818,830	0	0	818,830
TOTAL EXPENDITURES	<u>35,577,817</u>	<u>272,396</u>	<u>1</u>	<u>35,850,214</u>
OTHER FINANCING (USES)				
Interfund transfers	0	0	0	0
TOTAL OTHER FINANCING (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>35,577,817</u>	<u>272,396</u>	<u>1</u>	<u>35,850,214</u>
NET CHANGE IN FUND BALANCES	<u>(1,821,005)</u>	<u>(271,950)</u>	<u>(1)</u>	<u>(2,092,956)</u>
FUND BALANCES - BEGINNING	<u>16,067,259</u>	<u>2,197,538</u>	<u>90</u>	<u>18,264,887</u>
FUND BALANCES - ENDING	<u>\$ 14,246,254</u>	<u>\$ 1,925,588</u>	<u>\$ 89</u>	<u>\$ 16,171,931</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

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

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (2,092,956)
Because some property taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the government funds.	(497,569)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	544,927
Amortization of bond issuance costs and debt issuance premiums and discounts is recognized in the period incurred in the governmental funds but is amortized in the Statement of Activities.	(14,028)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	294,485
Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(40,547)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	8,978
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	1,019,600
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(788,093)</u>
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$ <u>(1,565,203)</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 15,570,201	\$ 15,570,201	\$ 15,659,643	\$ 89,442
State sources	16,647,431	16,647,431	17,026,058	378,627
Federal sources	1,260,000	1,260,000	1,071,111	(188,889)
TOTAL REVENUES	<u>33,477,632</u>	<u>33,477,632</u>	<u>33,756,812</u>	<u>279,180</u>
OTHER FINANCING SOURCES				
Refunds of prior year expenditures	0	0	0	0
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>33,477,632</u>	<u>33,477,632</u>	<u>33,756,812</u>	<u>279,180</u>
EXPENDITURES				
Regular programs	15,971,250	15,971,250	16,161,248	(189,998)
Special programs	5,964,435	5,964,435	5,301,537	662,898
Vocational programs	1,289,750	1,289,750	1,365,946	(76,196)
Other instructional programs	524,855	524,855	340,619	184,236
Nonpublic school programs	20,000	20,000	26,236	(6,236)
Pupil personnel services	1,101,475	1,101,475	1,112,182	(10,707)
Instructional staff services	1,254,430	1,254,430	1,048,199	206,231
Administrative services	2,137,595	2,137,595	2,030,048	107,547
Pupil health	348,700	348,700	338,838	9,862
Business services	927,800	927,800	685,786	242,014
Operation and maintenance of plant services	4,467,300	4,467,300	4,002,964	464,336
Student transportation services	1,084,350	1,084,350	1,041,402	42,948
Central and other support services	550	550	0	550
Other support services	33,700	33,700	21,243	12,457
Cafeteria services	20,000	20,000	0	20,000
Student activities	788,600	788,600	1,084,087	(295,487)
Community services	211,000	211,000	198,652	12,348
Debt service (principal and interest)	800,000	800,000	818,830	(18,830)
TOTAL EXPENDITURES	<u>36,945,790</u>	<u>36,945,790</u>	<u>35,577,817</u>	<u>1,367,973</u>
OTHER FINANCING (USES)				
Interfund transfers	361,000	361,000	0	361,000
Budgetary reserve	16,500	16,500	0	16,500
TOTAL OTHER FINANCING (USES)	<u>377,500</u>	<u>377,500</u>	<u>0</u>	<u>377,500</u>
TOTAL EXPENDITURES AND OTHER FINANCING (USES)	<u>37,323,290</u>	<u>37,323,290</u>	<u>35,577,817</u>	<u>1,745,473</u>
NET CHANGE IN FUND BALANCES	(3,845,658)	(3,845,658)	(1,821,005)	2,024,653
FUND BALANCE - BEGINNING OF YEAR	<u>11,500,000</u>	<u>11,500,000</u>	<u>16,067,259</u>	<u>4,567,259</u>
FUND BALANCE - END OF YEAR	<u>\$ 7,654,342</u>	<u>\$ 7,654,342</u>	<u>\$ 14,246,254</u>	<u>\$ 6,591,912</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

ASSETS	<u>Food Service</u>
CURRENT ASSETS	
Cash	\$ 301,089
Intergovernmental receivables	0
Due from other funds	6,398
Inventories	40,212
TOTAL CURRENT ASSETS	<u>347,699</u>
NON-CURRENT ASSETS	
Machinery and equipment	671,893
Less: accumulated depreciation	(659,940)
TOTAL NON-CURRENT ASSETS	<u>11,953</u>
TOTAL ASSETS	<u>\$ 359,652</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 0
Accrued salaries and benefits	12,795
Deferred revenues - commodities	20,842
Deferred revenues - student payments	15,899
TOTAL CURRENT LIABILITIES	<u>49,536</u>
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	9,628
TOTAL NON-CURRENT LIABILITIES	<u>9,628</u>
TOTAL LIABILITIES	<u>59,164</u>
NET ASSETS	
Invested in capital assets - net of related debt	11,953
Unrestricted	288,535
TOTAL NET ASSETS	<u>300,488</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 359,652</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Food Service</u>
OPERATING REVENUES	
Food service revenues	\$ 663,016
Other operating revenues	13,472
TOTAL OPERATING REVENUES	<u>676,488</u>
 OPERATING EXPENSES	
Personal services - salaries	627,147
Personal services - employee benefits	426,358
Purchased property services	14,396
Supplies	777,223
Depreciation	6,632
Other operating expenses	425
TOTAL OPERATING EXPENSES	<u>1,852,181</u>
 OPERATING (LOSS)	 <u>(1,175,693)</u>
 NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	411
State sources	130,640
Federal sources	898,156
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,029,207</u>
 CHANGE IN NET ASSETS	 <u>(146,486)</u>
 NET ASSETS - BEGINNING OF YEAR	 <u>446,974</u>
 NET ASSETS - END OF YEAR	 <u>\$ 300,488</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and intergovernments	\$ 676,488
Cash paid to employees for services	(1,053,505)
Cash paid to suppliers for goods and services	(789,035)
NET CASH (USED FOR) OPERATING ACTIVITIES	<u>(1,166,052)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	130,640
Federal sources	898,156
Increase in long-term portion of compensated absences	621
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>1,029,417</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>411</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(136,224)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>437,313</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 301,089</u>
OPERATING INCOME (LOSS)	\$ (1,175,693)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:	
Depreciation	6,632
Changes in current assets and current liabilities	
(Increase) Decrease in inventories	(12,634)
(Increase) Decrease in advances to other funds	(419)
Increase (Decrease) in accrued salaries and benefits	2,901
Increase (Decrease) in deferred revenue	13,161
TOTAL ADJUSTMENTS	<u>9,641</u>
TOTAL CASH (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,166,052)</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	Private Purpose Trust	Activity	Total Fiduciary Funds
ASSETS			
Cash	\$ 763,784	\$ 259,511	\$ 1,023,295
TOTAL ASSETS	<u>\$ 763,784</u>	<u>\$ 259,511</u>	<u>\$ 1,023,295</u>
LIABILITIES AND NET ASSETS			
Other current liabilities	\$ 0	\$ 259,511	\$ 259,511
TOTAL LIABILITIES	<u>0</u>	<u>259,511</u>	<u>259,511</u>
NET ASSETS			
Unrestricted	<u>763,784</u>	<u>0</u>	<u>763,784</u>
TOTAL NET ASSETS	<u>763,784</u>	<u>0</u>	<u>763,784</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 763,784</u>	<u>\$ 259,511</u>	<u>\$ 1,023,295</u>

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 37,926
Other additions	3,894
TOTAL ADDITIONS	<u>41,820</u>
 DEDUCTIONS	
Scholarships awarded	34,011
TOTAL DEDUCTIONS	<u>34,011</u>
 CHANGE IN NET ASSETS	 <u>7,809</u>
 NET ASSETS - BEGINNING OF YEAR	 <u>755,975</u>
 NET ASSETS - END OF YEAR	 <u>\$ 763,784</u>

See notes to financial statements
 which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pottsville Area School District (the "District") is governed by the Pottsville Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

The financial statements of the Pottsville Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments.

The financial statements include:

- Management's Discussion and Analysis (MDA), providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full-accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on major funds.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

REPORTING ENTITY

The District is not a component unit of any other primary government.

BASIS OF PRESENTATION

District-wide statements - The statement of net assets and the statement of activities provide information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each business-type activity of the District and for each function of the District's governmental activities.

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients 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 as general revenues.

Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from these statements.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF PRESENTATION - continued

Fund Financial Statements - The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Enterprise fund operating revenues are related to charges for food in the District's cafeteria. The primary non-operating revenues are federal nutrition program grants and commodities received from the U.S. Department of Agriculture.

The fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide statements.

The District reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capitalizations or extraordinary expenditures.

The District reports the following major proprietary fund types:

Food Service Fund - The Food Service Fund is used to account for all financial transactions related to the food service operation.

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BASIS OF ACCOUNTING

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

All business-type activities and enterprise funds of the district follow FASB Statements and Interpretations on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

DEPOSITS AND INVESTMENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments with a maturity of one year or less at the time of purchase are recorded at cost or amortized cost. Those with a maturity of greater than one year are reported at fair value. Changes in the fair value of investments are recorded as investment income.

TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levy</u>
Real Estate - Schuylkill County	34.00 mills	\$ 9,267,060
Occupation Tax - Act 511	\$100.00/person	1,248,100
Per Capita Tax - Act 511	\$ 5.00/person	62,405
Per Capita Tax - Section 679	\$ 5.00/person	62,405
Total Assessed Valuation		\$ <u>10,639,970</u>

The following is the tax calendar showing levy date, payment periods and delinquent dates for the above listed taxes:

Levy date	July 1
Discount (2%) payment period	July 1 to August 31
Face payment period	September 1 to October 31
Penalty (10%) payment period	November 1 to December 31
Delinquent date	December 31

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. An allowance has been established to recognize the uncollectible portion.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVENTORY

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the fund based financial statements, commodities received are recorded as deferred revenue until consumed.

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,250. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Land Improvements	20 years
Buildings and Improvements	15-30 years
Furniture and Equipment	5-15 years
Vehicles	3-15 years

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

COMPENSATED ABSENCES

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. Sick leave is recorded using the termination payment method, which has no current maximum per employee. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

In government-wide financial statements as well as proprietary fund financial statements, all accrued liabilities and long-term debt are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

FUND EQUITY

In the fund financial statements, governmental funds report designations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a restricted purpose.

NET ASSETS

Net assets represent the difference between assets and liabilities in the District-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS:

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. At June 30, 2012, the carrying amount of the District's deposits was \$19,274,132. and the bank balance was \$19,789,340. Of the bank balance, \$1,188,413. was covered by federal depository insurance, and \$18,600,927. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name. The District is secured under Act 72 as required by the Commonwealth of Pennsylvania primarily by a pledged pool of securities.

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

INVESTMENTS

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds. As of June 30, 2012, the District had no investments.

Investments classified as U.S. agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS – continued

INVESTMENTS - continued

Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF, PLGIT and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization and is subject to an independent annual audit.

Interest Rate Risk

The 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. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

Custodial Credit Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2012, PSDLAF, PLGIT, INVEST, FHLBs, FHLMCs, and FNMA were rated as AAA by a nationally recognized statistical rating organization.

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 - CAPITAL ASSETS:

A summary of capital asset activity during the fiscal year follows:

	<u>Balance June 30, 2011</u>	<u>Net Additions (Deductions)</u>	<u>Balance June 30, 2012</u>
Governmental Activities:			
Capital Assets, Not Being Depreciated			
	\$ 0	\$ 0	\$ 0
Total Capital Assets, Not Being Depreciated	0	0	0
Capital Assets, Being Depreciated:			
Land and Site Improvements	1,889,008	111,000	2,000,008
Buildings and Improvements	15,984,289	2	15,984,291
Furniture, Equipment, and Vehicles	7,268,184	908,598	8,176,782
Total Capital Assets, Being Depreciated	<u>25,141,481</u>	<u>1,019,600</u>	<u>26,161,081</u>
Accumulated Depreciation For:			
Land and Site Improvements	(1,783,208)	(34,837)	(1,818,045)
Buildings and Improvements	(8,450,108)	(276,916)	(8,727,024)
Furniture, Equipment, and Vehicles	(5,348,871)	(476,340)	(5,825,211)
Total Accumulated Depreciation	<u>(15,582,187)</u>	<u>(788,093)</u>	<u>(16,370,280)</u>
Governmental Activities -			
Capital Assets, Net	<u>\$ 9,559,294</u>	<u>\$ 231,507</u>	<u>\$ 9,790,801</u>
Business-type Activities:			
Furniture/Equipment	\$ 671,893	\$ 0	\$ 671,893
Less: Accumulated Depreciation	<u>(653,308)</u>	<u>(6,632)</u>	<u>(659,940)</u>
Business-type Activities -			
Capital Assets, Net	<u>\$ 18,585</u>	<u>\$ (6,632)</u>	<u>\$ 11,953</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Unallocated	\$ 408,528
Instructional	230,174
Administration and Financial Support	2,069
Operation and Maintenance of Plant Services	17,883
Student Transportation	126,631
Student Activities	2,808
Total Governmental Activities	<u>788,093</u>
Business-Type Activities	
Food Service	<u>6,632</u>
Total Depreciation Expense	<u>\$ 794,725</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT:

A summary of General Long-Term Debt is as follows:

	Compensated Absences	General Obligation Bonds Series 2008	Extended Term Financing	Other Post Employment Benefits	Total
Balance - July 1, 2011	\$ 1,114,458	\$ 4,470,000	\$ 2,689,964	\$ 51,465	\$ 8,325,887
Additions/Accretions		0	0	608,038	608,038
Principal Reductions	(294,485)	(200,000)	(344,926)	(567,491)	(1,406,902)
Balance - June 30, 2012	<u>\$ 819,973</u>	<u>\$ 4,270,000</u>	<u>\$ 2,345,038</u>	<u>\$ 92,012</u>	<u>\$ 7,527,023</u>
Due Within One Year	<u>\$ 75,000</u>	<u>\$ 205,000</u>	<u>\$ 271,731</u>	<u>\$ 0</u>	<u>\$ 551,731</u>

COMPENSATED ABSENCES

The General Long-Term Debt group of accounts include liability of \$819,973., which represents the amounts of compensated absences computed by using unused sick and vacation days at current compensation rates, not limited to the maximum payout at retirement. If an employee separates from service for reasons other than sickness or retirement, no payout is required. If an employee retires with unused compensated absences, the payout policy is as follows:

Emergency and personal - no payout

Vacation (administrative personnel) - limited accumulation of vacation days

Sickness - payout is based on age and years of services in the District with no maximum per professional employee.

Non professional employees are subject to a minimum payout of \$500. and a maximum payout of \$2,400.

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued

EXTENDED TERM FINANCINGS

Extended term financings are comprised of the following agreements:

Citibank Agreement

During the 2005/2006 fiscal year, the District entered into an extended term financing agreement with Citibank, N.A. Proceeds were utilized to finance energy upgrades and refinance existing agreements. Terms require variable payments including interest at 4.73% per annum. Annual installments as set forth below are required to provide for payment of principal and interest through October 2020.

\$ 2,154,965

Citi Mortgage Agreement

Previously, the District entered into an extended term financing agreement with Citi Mortgage. Proceeds were used to finance a new District wide telephone system. Terms require 3 interest only payments of \$756.38 each and 166 payments of \$1,573.95 including interest at the rate of 4.73% per annum through October 2020.

\$ 129,860

Dell Financial Services

Previously, the District entered into a Capital Lease with Dell Financial Services in the amount of \$316,832. for the acquisition of various computer equipment. Terms require 3 annual payments of \$90,150.85 including interest at 5.385% per annum through August 1, 2011. This lease was paid in full during the current year.

\$ 0

POTTSVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4 - CHANGES IN GENERAL LONG-TERM DEBT - continued

Dell Financial Services

Previously, the District entered into a Capital Lease with Dell Financial Services in the amount of \$288,647, for the acquisition of various computer equipment. Terms require 5 annual payments of \$62,924.99 including interest at 4.504% per annum through October 1, 2012.

\$ 60,213

General Obligation Bonds - Series of 2008

On June 15, 2008, the District issued \$5,070,000. of General Obligation Bonds for the purpose of financing various capital projects (roofs) of the District and pay the costs of issuance. Interest rates range from 2.20% through 4.00%. Annual installments as set fourth below are required to provide for payment of principal and interest through June 2028.

\$ 4,270,000

OTHER POST EMPLOYMENT BENEFITS

The District also provides other postemployment benefits as more fully discussed in Note 10. Total liability at June 30, 2012 was \$92,012.

A summary of Long-Term Debt principal maturities and interest requirements follows:

Year Ending June 30,	Obligation Bond Series of 2008	Term Financing Agreements	Total
2013	\$ 358,855	\$ 395,215	\$ 754,070
2014	357,733	332,290	690,023
2015	356,250	332,290	688,540
2016	359,261	332,290	691,551
2017	356,695	332,290	688,985
2018-2022	1,781,228	1,107,659	2,888,887
2023-2027	1,784,907	0	1,784,907
2028	357,000	0	357,000
Subtotal	<u>5,711,929</u>	<u>2,832,034</u>	<u>8,543,963</u>
Less: Interest Expense	<u>(1,441,929)</u>	<u>(486,996)</u>	<u>(1,928,925)</u>
Principal Outstanding	\$ <u>4,270,000</u>	\$ <u>2,345,038</u>	\$ <u>6,615,038</u>

POTTSVILLE AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 - PENSION PLAN:

PLAN DESCRIPTION

The Pottsville Area School District contributes to the Pennsylvania Public School System Employees' Retirement System (the "System"), a multiple-employer defined benefit public employee retirement system administered by the Pennsylvania Public School Employees' Retirement System Board. The System provides retirement and disability retirement benefits, legislative mandated ad hoc cost-of-living adjustments, and has a health insurance premium assistance program. The Pennsylvania Public School Employees Retirement Code (the "Code") assigns the Authority to establish and amend benefit provisions to the System by the Pennsylvania General Assembly. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Pennsylvania Public School System Employees Retirement System, P.O. Box 125, Harrisburg, Pa 17108.

FUNDING POLICY

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (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. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30 and 12.30%. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2012, the rate of employer's contribution was 8.65 percent of covered payroll. The 8.65 percent rate is composed of a pension contribution rate of 8.00 percent for pension benefits and .65 percent for healthcare insurance premium assistance. The employer and Commonwealth share such cost. The District's contributions (net of any reimbursement from the Commonwealth) to the System for the years ended June 30, 2012, 2011, and 2010, were \$356,330., \$633,627., and \$341,196., respectively, equal to the required contributions for each year.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - RISK MANAGEMENT AND LITIGATION:

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. The District maintains coverage from commercial insurance companies to cover these risks of loss.

NOTE 7 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT:

On July 1, 1991, the Saint Clair Area School District and the Pottsville Area School District entered into an agreement which provides for the education of grades 9 through 12 of the Saint Clair Area School District at the Pottsville Area High School. The agreement has been officially ratified by both School Boards.

Significant agreement provisions are:

- (1) Agreement duration - Unless terminated early, as set forth below, the agreement is in force for a period of (5) five years, commencing on July 1, 1991 and ending June 30, 1997. The agreement will automatically renew subject to limitations thereafter.
- (2) Termination provisions - The agreement will remain in effect for a minimum period of five (5) years and is not subject to termination during this period except by written consent of **both** parties. After this period, **either** party may terminate the agreement by giving written notice to the other at least one (1) year prior to the beginning of the school year of intended termination.
- (3) Tuition payments - The Saint Clair Area School District will pay to Pottsville Area for those students who attend school in Pottsville Area tuition payments which will be calculated in accordance with Section 2561 of the Public School Code (as amended). Payment terms provide for estimated monthly payments based on the annual joint program budget with a final reconciliation being done in May with the final payment being due on or before June 30.
- (4) Transportation - The Saint Clair Area School District shall arrange and pay for transportation to and from Pottsville Area.
- (5) Joint School Committee - The program shall be directed by a joint school committee appointed by both School Boards. The committee shall consist of four (4) members elected from the Pottsville Area Board of Directors and one (1) member elected from the Saint Clair Board of Directors.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7 - OTHER DISCLOSURE - JOINT SECONDARY PROGRAM MANAGEMENT AGREEMENT - continued

On October 20, 1993, the Saint Clair Area School District and the Pottsville Area School District entered into an extension agreement which will extend the original agreement for an additional five (5) year term extending through and including the 2000-2001 school year. The agreement shall remain in effect for such extended five (5) year period and shall not be subject to termination during such five (5) year extension period, except by the formal action and written consent of both parties. After this period, the agreement shall be automatically renewed unless one party indicates its desire to terminate such agreement at least one (1) year prior to the start of the last year as indicated under this extension agreement. The agreement shall continue to be automatically renewable thereafter for a period of one (1) year or as otherwise agreed to by both parties unless either party cancels by giving the other party written notice at least one (1) year prior to the termination of any such renewal period.

Total tuition paid to the District for the year ended June 30, 2012 was \$1,566,143.

NOTE 8 - BUDGETARY INFORMATION:

No budget versus actual comparison for the Capital Projects Fund has been displayed in the accompanying financial statements as no budget is required nor was adopted for the fund.

NOTE 9 - INTERFUND ACTIVITY:

A summary of interfund accounts receivable (payable), all which are considered current and relate to state subsidy transfers, at June 30, 2012 is as follows:

Fund	Receivable (Payable)
General	\$ (6,398)
Cafeteria	\$ 6,398

There were no interfund operating transfers in (out) from/to any funds for the year ended June 30, 2012.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

PLAN DESCRIPTION

The Pottsville Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. At July 1, 2008, 86 retired employees were eligible to participate. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

The contribution requirements of plan members and the District are established and may be amended by the School Board, subject to applicable labor contracts. Plan members are not required to contribute; however, for the member and the spouse, coverage ceases upon the later of the exhaustion of accumulated sick days at retirement used to obtain health coverage, the exhaustion of an HCA based on accumulated sick days at retirement, or Medicare eligibility. If a retiree runs out of unused sick days prior to reaching Medicare eligibility, they may continue on the District plan by paying 100% of premiums.

The District may contribute the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2012, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$567,491. for 2012. These costs are recognized as an expense when claims or premiums are paid.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

ANNUAL OPEB COST AND NET OPEB OBLIGATION

For 2011, the components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan were as follows:

Annual Required Contribution	\$ 610,118
Interest on Net OPEB Obligation	2,316
Adjustment to Annual Required Contribution	<u>(4,396)</u>
Annual OPEB Cost	608,038
Contributions or Payment Made	<u>(567,491)</u>
Increase in Net OPEB Obligation	40,547
Net OPEB Obligation, Beginning of Year	<u>51,465</u>
Net OPEB Obligation, End of Year	<u>\$ 92,012</u>
Percentage of Annual OPEB Cost Contributed	<u>93.33%</u>

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of July 1, 2010, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 4,642,116
Actuarial Value of Assets	<u>0</u>
Unfunded AAL (UAAL)	<u>4,642,116</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll	<u>\$ 14,168,300</u>
UAAL as Percentage of Covered Payroll	<u>31.10%</u>

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible 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 District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 8.5% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - GASB STATEMENT NO. 54:

On June 15, 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 (Fund Balance Reporting and Governmental Fund Type Definitions). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB-54 establishes criteria for classifying fund balances into specifically defined classifications that should be based on hierarchy that reflects the extent to which the government is bound to honor constraints on how those funds can be spent. Established classifications are as follows:

Nonexpendable – Amounts that cannot be spend because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts constrained to be used for a specific purpose stipulated by constitution, external resource providers or through enabling legislation.

Committed – Amounts constrained to be used for a specific purpose determined by a formal action of the School District Board of Directors (the district's highest level of decision-making authority).

Assigned – Amounts intended to be used for a specific purpose by the finance committee or an individual authorized by the governing body.

Unassigned – Residual amounts available for any purpose not contained in other classifications.

The District assigned fund balance is fund balance reporting occurring by the School Board Administration Authority, under the direction of the Business Manager.

ORDER OF FUND BALANCE SPENDING POLICY

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting entries.

First, nonspendable fund balances are determined. Then, restricted fund balances for the nongeneral funds are classified as restricted fund balance.

It is possible for the nongeneral funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purpose amounts exceed the positive fund balance for the nongeneral fund.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - GASB STATEMENT NO. 54 -- continued

BALANCE SHEET - GOVERNMENTAL FUNDS				
JUNE 30, 2012				
	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
EQUITY				
Nonspendable	\$ 0	\$ 0	\$ 0	\$ 0
Restricted	0	1,925,588	89	1,925,677
Committed	0	0	0	0
Assigned for:				
Capital Projects	0	0	0	0
Unassigned	<u>14,246,254</u>	<u>0</u>	<u>0</u>	<u>14,246,254</u>
TOTAL FUND BALANCE	<u>\$ 14,246,254</u>	<u>\$ 1,925,588</u>	<u>\$ 89</u>	<u>\$ 16,171,931</u>

NOTE 12 - RELATED ORGANIZATIONS:

Not included in the School District's financial statements are any Parent-Teacher Associations (PTA), Parent-Teacher Organizations (PTO) and athletic and band booster clubs. These agencies provide services to students and employees of the School District, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School District. The School District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

NOTE 13 - SUBSEQUENT EVENT -- DEBT RE-FINANCING:

On August 28, 2012, the District advance refunded the General Obligation Series of 2008 Bond in the outstanding amount of \$3,855,000. The District issued a General Obligation Bond Series of 2012 in the principal amount of \$4,155,000. Proceeds of the issue were to advance refund the General Obligation Bond Series of 2008 and to pay issuance costs. The District will realize a cash flow savings in the amount of \$323,967. Interest rates on the bonds range from 1.00 % to 2.65% thru October 2027.

SUPPLEMENTAL INFORMATION

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of Pottsville Area School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Pottsville Area School District were disclosed during the audit.
4. No significant deficiencies conditions relating to the audit of the major federal award programs is reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Pottsville Area School District expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were :

Program	CFDA #
Title I E.S.E.A.	84.010
Title I E.S.E.A. - ARRA	84.389
National School Lunch	10.555
School Breakfast Program	10.553
Commodities	10.555

8. The threshold for distinguishing types A and B Programs was \$300,000.
9. Pottsville Area School District was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2012-1 – Title I ESEA – CFDA #84.010,
Grant Period Year Ended June 30, 2012

Criteria and Condition: Federal fiscal regulations require that records be maintained for a period of 7 years.

Cause: During the current year audit, records for the past 5 years could be located. However, as indicated above, regulations require that 7 years be maintained.

Effect: Records which are required to be maintained could not be located.

Questioned Costs: NONE
=====

Recommendation: We recommend that in the future the District ensure that all appropriate records be maintained.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and in the future will ensure that all applicable regulations are followed.

POTTSVILLE AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2011-1 – State Fiscal Stabilization – CFDA #84.394,
Grant Period Year Ended June 30, 2011

Criteria and Condition: The Davis-Bacon Act requires the payment of federal prevailing wages on federally funded or assisted construction projects. The Davis-Bacon Act applies to each federal contract in excess of \$2,000. for construction, alteration, or repair of public buildings or public works.

Cause: During the current year we noted that the District undertook several construction projects as defined in the Act. Under the requirements of the Act the contracts should have required that federal prevailing wages be paid in the completion of these projects.

Effect: Upon review of the all the construction contract costs, it was noted that federal prevailing wage rates were not utilized in the bidding process leading to contract award. In one contract, although not part of the bid process, Pennsylvania prevailing wages were paid to the workers on the contract as evidenced by Certified Payroll Reports. We reviewed the Pennsylvania prevailing wage rates paid and compared them to the applicable federal wage rates for each job classification. In all instances the Pennsylvania prevailing wage rates were equal to, or greater than, the federal rates. Consequently, although the Davis Bacon Act requirements were not part of the bid process or award, the wages paid the workers were equal to or greater than the wages required to be paid by the Act. Consequently, for this contract we question no costs.

In addition to the above contract, the District completed 4 other construction contracts during the year that in our opinion, were subject to the Davis Bacon Act requirements. In all cases, the contracts did not include the provisions of the Davis Bacon Act in the bid documents, nor were any certified wage reports provided to identify the wages paid. Consequently, as these contracts included material, labor, and other costs, and that the labor component was not separately identified in the contractor bid or invoices, a determination of potential questioned costs cannot be computed for these contracts. The total costs for these projects was \$162,922.91.

Questioned Costs: UNKNOWN
=====

POTTSVILLE AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT-CONTINUED**

2011-1 – State Fiscal Stabilization – CFDA #84.394,
Grant Period Year Ended June 30, 2011

Recommendation: We recommend that in the future the District ensure that the appropriate federal prevailing wage rates are utilized when a project is funded in whole, or in part, by federal funds.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and in the future will ensure that all applicable regulations are followed.

Current Status: During the current year audit no similar findings were noted. Consequently, this finding is cleared.

POTTSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2011	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2012
U.S. DEPARTMENT OF EDUCATION										
Passed Through State Department of Education:										
E.S.E.A. Title I - 2010-2011	(I)	84.010	013-110349	\$ 772,397	7-1-10/9-30-11	\$ 102,661	\$ 86,476	\$ 16,185	\$ 16,185	\$ 0
E.S.E.A. Title I - 2011-2012	(I)	84.010	013-120349	711,224	7-1-11/9-30-12	711,224	0	711,224	711,224	0
E.S.E.A. Title I School Improvement - 2009-2010	(I)	84.010	042-109349	105,318	7-1-09/9-30-10	49,561	4,305	45,256	45,256	0
E.S.E.A. Title I School Improvement - 2010-2011	(I)	84.010	042-110349	46,180	7-1-10/9-30-11	27,165	0	19,777	19,777	(7,388)
E.S.E.A. Title IIA Improving Teacher Quality - 2011-2012	(I)	84.367	020-120349	165,892	7-1-11/9-30-12	165,892	0	165,892	165,892	0
E.S.E.A. Title IIA Improving Teacher Quality - 2010-2011	(I)	84.367	020-110349	194,385	7-1-10/9-30-11	25,530	7,883	17,647	17,647	0
E.S.E.A. Title I School Improvement ARRA	(I)	84.389	134-110349	73,082	7-1-10/9-30-11	38,690	26,768	11,922	11,922	0
Fiscal Stabilization - 2010-2011- ARRA	(I)	84.394	126-110349	1,559,433	7-1-10/9-30-11	389,858	389,858	0	0	0
Education Jobs Fund - ARRA	(I)	84.410	140-120349	14,289	7-1-11/9-30-12	0	0	14,289	14,289	14,289
Passed Through Schuykill IU #29:										
IDEA Part B - 2011-2012	(I)	84.027	N/A	451,306	7-1-11/6-30-12	0	0	451,306	451,306	451,306
IDEA Section 619	(I)	84.027	N/A	10,525	7-1-11/9-30-12	10,525	0	10,525	10,525	0
21st Century Community Learning Center - 2010-2011	(I)	84.027	N/A	14,762	7-1-10/9-30-11	6,429	6,429	0	0	0
TOTAL DEPARTMENT OF EDUCATION				4,118,793		1,527,535	521,719	1,464,023	1,464,023	458,207
U.S. GENERAL SERVICES ADMINISTRATION										
Passed Through State Department of General Services:										
Donation of Federal Surplus Property	(I)	39.003	231026	15,328	7-1-11/6-30-12	15,328	0	15,328	15,328	0
TOTAL GENERAL SERVICES ADMINISTRATION				15,328		15,328	0	15,328	15,328	0
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES										
Passed Through State Department of Welfare:										
Medical Assistance - Access Administration - 2011/2012	(I)	93.778	NONE	903	7-1-11/9-30-12	903	0	903	903	0
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES				903		903	0	903	903	0
U.S. DEPARTMENT OF AGRICULTURE										
Passed Through State Department of Education:										
National School Lunch - 2011-2012	(I)	10.555	129-54-610-03	678,671	7-1-11/6-30-12	678,671	0	678,671	678,671	0
National School Lunch - 2011-2012	(S)	N/A	129-54-610-03	52,569	7-1-11/6-30-12	52,569	0	52,569	52,569	0
Regular/Severe Need Breakfast - 2011-2012	(I)	10.553	129-54-610-03	141,011	7-1-11/6-30-12	141,011	0	141,011	141,011	0
Regular/Severe Need Breakfast - 2011-2012	(S)	N/A	129-54-610-03	8,340	7-1-11/6-30-12	8,340	0	8,340	8,340	0
After School Snacks - 2011-2012	(I)	10.555	129-54-610-03	1,329	7-1-11/6-30-12	1,329	0	1,329	1,329	0
Breakfast Nutritional Standards Incentive - 2011-2012	(S)	N/A	129-54-610-03	834	7-1-11/6-30-12	834	0	834	834	0
Lunch Nutritional Standards Incentive - 2011-2012	(S)	N/A	129-54-610-03	9,768	7-1-11/6-30-12	9,768	0	9,768	9,768	0
Passed Through State Department of Agriculture:										
Value of USDA Commodities	(I)	10.555	2-07-54-610	94,169	7-1-11/6-30-12 (A)	87,459	(10,529)	77,146	77,146 (D)	(20,842)
TOTAL DEPARTMENT OF AGRICULTURE				986,691		979,981	(10,529)	969,668	969,668	(20,842)
SUB-TOTAL				5,121,715		2,523,747	511,190	2,449,922	2,449,922	437,365
STATE AWARD EXPENDITURES				71,511		71,511	-	71,511	71,511	0
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 5,050,204		\$ 2,452,236	\$ 511,190	\$ 2,378,411	\$ 2,378,411	\$ 437,365

Source Code Legend:
(I) Indicates direct federal financial assistance funding.
(S) Indicates indirect federal financial assistance funding.
(D) Indicates State matching funding.

Other Code Legend:
(A) Indicates value of USDA commodities received in current year.
(B) Indicates beginning inventory value of USDA commodities.
(C) Indicates value of USDA commodities used in current year.
(D) Indicates ending inventory value of USDA commodities.

See notes to financial statements
which are an integral part of this statement.

POTTSVILLE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

NOTE 2 - COMMODITIES:

The beginning and ending deferred income figures listed represent the beginning and ending commodities inventories in the Cafeteria Fund. These commodities are received through the State from the U.S. Department of Agriculture. The commodities are valued at amounts assigned to the various items by the U.S. Department of Agriculture when the commodities are offered.