

STROUDSBURG AREA SCHOOL DISTRICT

P E N N S Y L V A N I A

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2012



GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT

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STROUDSBURG AREA SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

SCHOOL BOARD OF DIRECTORS, STROUDSBURG AREA SCHOOL DISTRICT
STROUDSBURG, 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 Stroudsburg 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 Stroudsburg Area School District management. Our responsibility is to express an opinion 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 *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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stroudsburg Area School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated October 31, 2012 on our consideration of Stroudsburg Area School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. 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 audits.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stroudsburg Area School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Additionally, our audit was made for the purpose of forming an opinion on the basic financial statements taken 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 Nonprofit Organizations*. The supporting information included in the report is presented for the purposes of additional analysis and is not a required part of the basic financial statements of Stroudsburg Area School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gnialing, Dardarati, Bligal & Bunka, LLP

ALLENTOWN, PENNSYLVANIA
OCTOBER 31, 2012



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CERTIFIED PUBLIC ACCOUNTANTS

**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 DIRECTORS, STROUDSBURG AREA SCHOOL DISTRICT
STROUDSBURG, PENNSYLVANIA

We have audited the financial statements of Stroudsburg Area School District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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

In planning and performing our audit, we considered Stroudsburg Area School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stroudsburg Area School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stroudsburg 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Stroudsburg 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 Standard*.

AUDITOR REPORTING AND OTHER COMMUNICATION CONSIDERATIONS

This report is intended solely for the information of the audit committee, management 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.

Grossman, DeLamater, Bieganski & Banta, LLP

ALLENTOWN, PENNSYLVANIA
OCTOBER 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

GDB², LLP

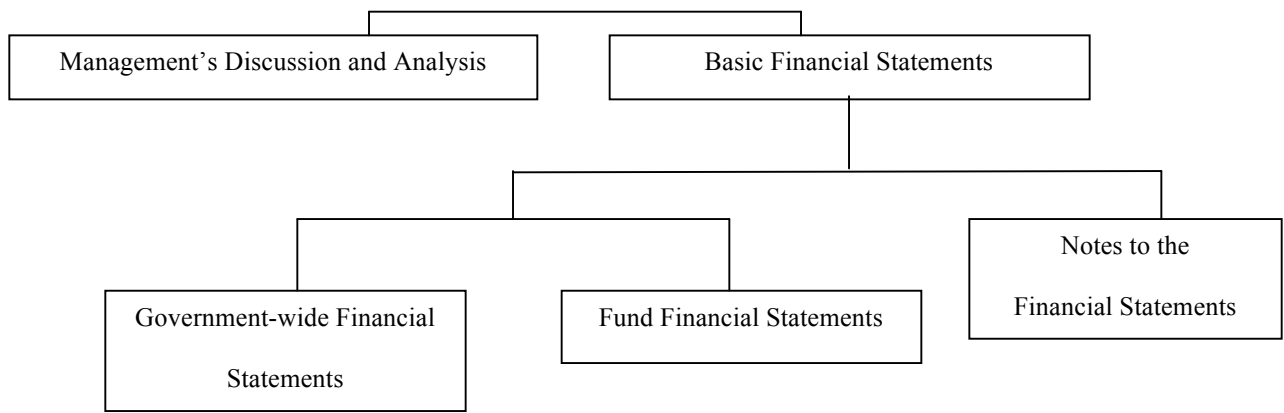
STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012



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



USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Stroudsburg Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Stroudsburg Area School District, the General Fund is by far the most significant fund.

STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2012

FINANCIAL HIGHLIGHTS

Key government-wide financial highlights for 2012 are as follows:

- In total, net assets increased from \$48,355,592 in 2011 to \$51,353,189 in 2012.
- General revenues accounted for \$67,444,693 in revenue or 72% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$26,843,152 or 28% of total revenues of \$94,287,845.
- Total assets of governmental activities were \$215,652,520 of which \$11,137,921 represents unrestricted cash and investments. Fixed assets, net of accumulated depreciation were \$163,435,041 which increased due to the High School Construction Project and two bus purchases.
- The School District had \$91,270,248 in expenses; only \$26,843,152 of these expenses were offset by program specific charges for services, grants, or contributions. General revenues (primarily member district allocation derived from their property taxes) of \$67,444,693 were adequate to provide for these programs.
- Expenses, after program revenue was \$64,432,117 which increased from \$59,226,981 in 2011.
- Federal and State subsidies this year were \$24,766,682, which decreased from \$26,680,196 in 2011.
- Considerable construction and debt financing activities were experienced in 2012 with the continuing High School Renovation project.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, **“How did we do financially during this year?”** The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility condition, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities. The School District's business-like activities is the food services fund.

STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2012

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational 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.

The following are the School District's governmental funds: **General Fund (Major Fund)**

The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of The Commonwealth. **Capital Projects Fund (Major Fund)**

The capital projects fund accounts are to be used for the acquisition, construction, or improvement of capital facilities. **Special Revenue Fund (Non-major Fund)**

The special revenue fund accounts for specific revenue sources, which are legally restricted to expenditures for specified purposes. Prior to the implementation of GASB #54, the District accounted for the student athletics program in this fund. **Debt Service Fund (Non-major Fund)**

The debt service fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

STROUDSBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2012

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets:

Table 1 Net Assets

	2012	2011	2010	2009	2008	2007
Assets						
Current Assets	\$ 29,164,657	\$ 26,481,004	\$ 20,828,506	\$ 14,678,487	\$ 14,675,169	\$ 12,014,843
Capital Assets and Other Assets	<u>186,886,354</u>	<u>167,289,137</u>	<u>118,800,819</u>	<u>121,106,697</u>	<u>123,731,185</u>	<u>111,171,798</u>
	<u>216,051,011</u>	<u>193,770,141</u>	<u>139,629,325</u>	<u>135,785,184</u>	<u>138,406,354</u>	<u>123,186,641</u>
Liabilities						
Current Liabilities	19,300,534	19,728,474	13,656,149	9,891,295	11,528,412	9,778,709
Long-Term Liabilities	<u>145,397,288</u>	<u>126,194,538</u>	<u>84,351,549</u>	<u>89,102,106</u>	<u>91,971,104</u>	<u>81,540,850</u>
	<u>164,697,822</u>	<u>145,923,012</u>	<u>98,007,698</u>	<u>98,993,401</u>	<u>103,499,516</u>	<u>91,319,559</u>
Net Assets						
Invested in Capital Assets, Net of Debt	16,908,531	14,777,232	33,391,584	31,302,833	30,547,435	29,126,748
Restricted	21,689,881	24,080,502	3,173,240	80,604	52,652	208,148
Unrestricted	<u>12,754,777</u>	<u>9,477,858</u>	<u>5,056,803</u>	<u>5,408,346</u>	<u>4,306,751</u>	<u>2,532,186</u>
Total Net Assets	<u>\$ 51,353,189</u>	<u>\$ 48,335,592</u>	<u>\$ 41,621,627</u>	<u>\$ 36,791,783</u>	<u>\$ 34,906,838</u>	<u>\$ 31,867,082</u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased by \$3,276,919.

STROUDSBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2012

Table 2 provides a summary of the School District's statement of activities:

Table 2

Statement of Activities

	2012	2011	2010	2009	2008	2007
<i>Program Revenues:</i>						
Charges for Services	\$ 2,076,470	\$ 1,405,151	\$ 1,856,085	\$ 1,873,591	\$ 2,165,826	\$ 1,944,081
Operating Grants and Contributions	24,766,682	26,680,196	25,789,896	24,729,324	21,609,922	20,234,621
Capital Grants and Contributions	0	0	60,000	0	300,000	407,573
<i>General Revenues:</i>						
Taxes	67,399,955	65,674,269	65,797,649	57,710,849	55,555,974	51,227,079
Investment Earnings	44,738	285,395	262,075	589,585	965,725	1,193,586
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,461</u>
<i>Total Revenues</i>	<u>94,287,845</u>	<u>94,045,011</u>	<u>93,765,705</u>	<u>84,903,349</u>	<u>80,597,447</u>	<u>75,010,401</u>
<i>Program Expenses:</i>						
Instruction	54,463,724	53,034,784	53,716,260	49,763,702	45,875,418	42,190,169
Instructional Student Support	4,199,052	5,128,459	5,448,073	5,006,207	4,606,897	4,021,549
Admin. & Financial Support Services	7,571,730	6,590,301	6,769,629	6,461,380	5,638,429	5,350,787
Op & Main of Plant Services	8,612,327	8,399,469	8,479,144	8,109,229	7,626,809	7,761,954
Pupil Transportation	4,403,662	3,938,248	3,879,949	3,654,167	3,668,739	3,517,179
Student Activities	1,033,101	980,851	1,132,321	1,081,803	1,066,334	923,246
Community Services	0	0	0	0	0	318
Fiscal charges and Short term Interest	0	58,013	87,208	120,932	197,520	0
Interest on Long-Term Debt	4,616,653	2,868,378	2,558,074	2,932,675	3,278,004	4,011,584
Unallocated Amortization	101,242	18,113	18,113	18,113	18,113	18,113
Unallocated Depreciation	4,059,511	4,059,511	4,707,511	3,643,166	3,316,764	3,220,416
Food Services	<u>2,209,246</u>	<u>2,255,114</u>	<u>2,139,578</u>	<u>2,227,031</u>	<u>2,264,664</u>	<u>2,142,392</u>
<i>Total Expenses</i>	<u>91,270,248</u>	<u>87,331,241</u>	<u>88,935,861</u>	<u>83,018,404</u>	<u>77,557,691</u>	<u>73,157,707</u>
<i>(Decrease) / Increase in Net Assets</i>	<u>\$ 3,017,597</u>	<u>\$ 6,713,965</u>	<u>\$ 4,829,844</u>	<u>\$ 1,884,945</u>	<u>\$ 3,039,765</u>	<u>\$ 1,852,694</u>

STROUDSBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2012

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

Table 3

Net Cost of Services

	2012	2011	2010	2009	2008	2007
Governmental Activities:						
Instructional	(\$32,487,016)	(\$29,946,797)	(\$31,451,548)	(\$28,765,465)	(\$27,655,382)	(\$24,824,015)
Instructional Student Support	(4,199,052)	(5,027,099)	(5,252,434)	(4,698,262)	(4,499,173)	(3,910,524)
Admin & Financial Services	(6,351,269)	(6,552,008)	(6,645,092)	(6,329,565)	(5,151,894)	(5,065,338)
Op & Main of Plant Services	(8,576,056)	(7,329,458)	(7,315,048)	(7,129,194)	(6,509,800)	(6,739,481)
Pupil Transportation	(3,048,349)	(2,442,507)	(2,275,845)	(1,856,410)	(1,925,833)	(1,897,067)
Student Activities	(992,969)	(925,097)	(944,242)	(931,808)	(922,291)	(868,205)
Community Services	0	0	0	0	0	(318)
Fiscal charges and Interest	0	(58,013)	(87,208)	(120,932)	(197,520)	0
Interest on Long-Term Debt	(4,616,653)	(2,868,378)	(2,558,074)	(2,932,675)	(3,278,004)	(4,011,584)
Unallocated Amortization	(101,242)	(18,113)	(18,113)	(18,113)	(18,113)	(18,113)
Unallocated Depreciation	(4,059,511)	(4,059,511)	(4,707,511)	(3,643,166)	(3,316,764)	(3,220,416)
Business-Type Activities:						
Food Service	<u>5,021</u>	<u>(18,913)</u>	<u>25,236</u>	<u>10,100</u>	<u>(7,156)</u>	<u>(16,371)</u>
Total Primary Government	<u>(\$64,427,096)</u>	<u>(\$59,245,894)</u>	<u>(\$61,229,880)</u>	<u>(\$56,415,489)</u>	<u>(\$53,481,943)</u>	<u>(\$50,571,432)</u>

STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2012

Defining the Classifications of Expenditure:

- Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- Instructional student support includes the activities involved with assisting staff with the content and process of teaching to pupils.
- Administration and financial support; Board of Education, administration, fiscal, and business include expenses associated with administrative and financial supervision of the District.
- Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.
- Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.
- Student activities include expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment, and skill improvement.
- Interest on long-term debt and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.
- Food service involves the preparing, delivering, and serving of lunches and other meals.

GENERAL FUND BUDGETING HIGHLIGHTS

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

REAL ESTATE TAXES

The dependence upon real estate tax revenues is apparent. For all activities, general revenue support is 70%. The community, as a whole, is the primary support for the Stroudsburg Area School District.

The real estate taxes for the District are collected from two boroughs and two townships. The tax on real estate, as levied by the School Board:

- Fiscal 2010-2011 \$156.09 Mills per \$1,000 of assessed valuation of \$419,041,540
- Fiscal 2011-2012 \$156.09 Mills per \$1,000 of assessed valuation of \$424,384,370
- Fiscal 2012-2013 \$157.36 Mills per \$1,000 of assessed valuation of \$424,778,130

Assessed valuations of property are determined by Monroe County and the elected tax collectors are responsible for collection.

The schedule for real estate taxes levied for each fiscal year is as follows:

August 1	Levy Date
August 1 -September 30	2% discount period
October 1 -November 30	Face payment period
December 1 -December 31	10% penalty period
January 1	Lien date

THE SCHOOL DISTRICT'S FUNDS

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$91,522,817 decreased from \$92,256,210 and expenditures of \$154,712,520 increased from \$127,599,666. Other financing sources and uses were \$59,461,271 and \$63,075,500, for 2012 and 2011, respectively. The net change in fund balance for the year was a decrease of \$3,728,432. Progress continues to be made on the substantial capital project and debt financing activities as project completion approaches.

STROUDSBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2012

CAPITAL ASSETS

At the end of the fiscal year, the School District had the following invested in land, buildings, furniture and equipment, and vehicles.

Table 4 Capital Assets

	Balance July 1	Additions	Deletions	Balance June 30
CAPITAL ASSETS				
Land and Land Improvements	\$ 16,071,406	\$	\$	\$ 16,071,406
Building and Building Improvements	150,003,567	29,031,470		179,035,037
Library Collections	4,535,739			4,535,739
Furniture and Equipment	<u>15,747,013</u>	<u>1,393,821</u>	<u>214,000</u>	<u>16,926,834</u>
	<u>\$ 186,357,725</u>	<u>\$ 30,425,291</u>	<u>\$ 214,000</u>	<u>\$ 216,569,016</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 34,823,747	\$ 3,398,315	\$	\$ 38,222,062
Furniture and Equipment	<u>14,464,717</u>	<u>661,196</u>	<u>214,000</u>	<u>14,911,913</u>
	<u>\$ 49,288,464</u>	<u>\$ 4,059,511</u>	<u>\$ 214,000</u>	<u>\$ 53,133,975</u>

Description of the Years Capital Asset Activity:

- Business-type activities (food services) had capital assets net of accumulated depreciation of \$0.
- Overall capital assets increased \$30,425,291. This, of course, is due to the construction of the school projects relating to the high school and related land acquisitions.
- Depreciation for the year was \$4,059,511.

RESERVED FUND BALANCES

Fund balances have been classified in accordance with GASB #54 as defined in Note 15. Unassigned fund balance represents funds available for appropriation of \$7,084,644 for 2012.

DEBT ACTIVITY FOR THE YEAR

During its June 30, 2012, the District used debt proceeds of \$59,425,000 to refund \$32,670,000 of existing debt and to provide for additional funds for the High School project.

STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2012

CURRENT FINANCIAL ISSUES AND CONCERNS

The Stroudsburg Area School District continues to be financially stable. The School District is proud of its overall community (Stroud Township, Hamilton Township, Stroudsburg Borough, and Delaware Water Gap Borough) support for the public schools. The School District has earned an excellent reputation over the years for its fine academic programs, experienced and caring professional staff, worthwhile extracurricular and athletic activities, and well-maintained physical plant and grounds.

Student enrollment, which had grown by 45% over a ten year period, began to level off in 2008. During that period though, a new middle school was constructed and grades reconfigured to accommodate the growth. In 2008, a renovation and expansion program was begun for the District's undersized high school. Future plans for northeastern Pennsylvania include mass transit upgrades (passenger train service to New York City) that could launch another period of prolonged growth.

With the growth the District has experienced and the addition of new buildings, increased pressure has been placed on the local property tax payers. For too many years the fund balance was spent down and/or lines in the budget had been cut to minimize taxes, all at the expense of teachers, students, programs, and the infrastructure that supports the District. The District's fund balance has been greatly reduced.

A continuing concern for the Administration and Board of School Directors is uncertainty as to the amount of future state funding. This is an important issue for all Pennsylvania school districts, but it has a much more adverse impact on districts that have grown substantially since the state began in the early 1990s using a funding formula that ignored enrollment. Federal funding has not increased in several years, even though costs have increased significantly in response to ever expanding requirements of special education programs and No Child Left Behind.

STROUDSBURG AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2012

CURRENT FINANCIAL ISSUES AND CONCERNS (CONTINUED)

Legislation was passed in 2008 to increase state funding of education, but there is no guarantee that money will be available at the state level in future years to fund the new formula. If state and federal funding do not keep pace with inflationary increases in the cost of the District's program and mandated expansions of services, increases in local funding will be required at a rate higher than the rate of increase in expenditures. Act 1 limits the rate of increase of local property tax, so reductions in program in future years may be necessary.

In conclusion, Stroudsburg Area School District has committed itself to continuing and improving its educational program, while making sure that it is being fiscally responsible. The District will continually monitor and assess its programs, operations, and finances to ensure that it is providing the educational services the community desires within the ability of the community to provide the necessary resources.

Contacting the School District's Financial Management



This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Donovan Jennings, Business Manager, Stroudsburg Area School District, 123 Linden Street, Stroudsburg, PA 18360.

GOVERNMENT WIDE STATEMENTS

GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011)

	2012			
	Governmental Activities	Business-type Activities	Total	2011
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 509,476	\$ 112,604	\$ 622,080	\$ 442,135
Investments	10,628,445		10,628,445	8,222,159
Taxes Receivable, net	7,018,870		7,018,870	6,213,981
Internal Balances	478,767	92	478,859	356,746
Due From Other Governments	6,064,308	248,315	6,312,623	7,977,519
Inventories		37,480	37,480	17,306
Insurance Reserve Provision	4,035,042		4,035,042	3,726,895
Prepaid Expenses	31,258		31,258	12,726
	<u>28,766,166</u>	<u>398,491</u>	<u>29,164,657</u>	<u>26,969,467</u>
Noncurrent Assets				
Restricted Cash and Cash Equivalents			0	66,873
Restricted Investments	21,547,600		21,547,600	29,267,757
Bond Issuance Costs, net of accumulated amortization	1,903,713		1,903,713	709,853
	<u>23,451,313</u>	<u>0</u>	<u>23,451,313</u>	<u>30,044,483</u>
Fixed Assets, net of accumulated depreciation				
Land	16,071,406		16,071,406	16,071,406
Building & Building Improvements	140,812,975		140,812,975	115,339,665
Library Text	4,535,739		4,535,739	4,535,739
Furniture & Equipment	2,014,921		2,014,921	1,297,844
	<u>163,435,041</u>	<u>0</u>	<u>163,435,041</u>	<u>137,244,654</u>
	<u>\$ 215,652,520</u>	<u>\$ 398,491</u>	<u>\$ 216,051,011</u>	<u>\$ 194,258,603</u>
LIABILITIES				
Current Liabilities				
Internal Balances	\$ 257,977	\$ 220,882	\$ 478,859	\$ 356,745
Accounts Payable	2,272,277	35,328	2,307,605	6,171,924
Current Portion of LT Debt	7,780,000		7,780,000	7,086,800
Accrued Salaries and Benefits	8,734,070		8,734,070	6,095,699
Deferred Revenues			0	17,306
	<u>19,044,324</u>	<u>256,210</u>	<u>19,300,534</u>	<u>19,728,474</u>
Noncurrent Liabilities				
Bonds Payable - Long term	111,449,410		111,449,410	90,949,410
Notes Payable - Long term	28,548,000		28,548,000	29,714,000
Compensated Absences	2,972,065		2,972,065	3,102,262
Net Other Post Employment Benefits	1,775,000		1,775,000	1,626,053
Authority Lease Obligations	652,813		652,813	802,813
	<u>145,397,288</u>	<u>0</u>	<u>145,397,288</u>	<u>126,194,538</u>
	<u>164,441,612</u>	<u>256,210</u>	<u>164,697,822</u>	<u>145,923,012</u>
NET ASSETS				
Investment in Capital Assets Net of Related Debt	16,908,531		16,908,531	14,777,232
Restricted for:				
Capital Projects	21,547,600		21,547,600	23,958,882
Food Services		142,281	142,281	121,620
Unrestricted	12,754,777		12,754,777	9,477,858
	<u>51,210,908</u>	<u>142,281</u>	<u>51,353,189</u>	<u>48,335,592</u>
	<u>\$ 215,652,520</u>	<u>\$ 398,491</u>	<u>\$ 216,051,011</u>	<u>\$ 194,258,603</u>

The accompanying notes are an integral part of the financial statements.

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012
 (WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011)

Functions/Programs	2012							2011
	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instruction	\$ 54,463,724	\$ 796,827	\$ 21,179,881	\$	\$ (32,487,016)	\$	\$ (32,487,016)	\$ (29,946,797)
Instructional Student Support	4,199,052				(4,199,052)		(4,199,052)	(5,027,099)
Admin., Central, Pupil & Finl Support Services	7,571,730	54,017	1,166,444		(6,351,269)		(6,351,269)	(6,552,008)
Operations & Main of Plant Svcs	8,612,327	36,271			(8,576,056)		(8,576,056)	(7,329,458)
Pupil Transportation	4,403,662		1,355,313		(3,048,349)		(3,048,349)	(2,442,507)
Student Athletics, Activities & Community	1,033,101	40,132			(992,969)		(992,969)	(925,097)
Fiscal Chagres and Short Term Interest					0		0	(58,013)
Interest on Long-Term debt	4,616,653				(4,616,653)		(4,616,653)	(2,868,378)
Unallocated Amortization	101,242				(101,242)		(101,242)	(18,113)
Unallocated Depreciation	4,059,511				(4,059,511)		(4,059,511)	(4,059,511)
	<u>\$ 89,061,002</u>	<u>\$ 927,247</u>	<u>\$ 23,701,638</u>	<u>\$ 0</u>	<u>\$ (64,432,117)</u>		<u>\$ (64,432,117)</u>	<u>\$ (59,226,981)</u>
Business-type activities:								
Food Service	2,209,246	1,149,223	1,065,044			5,021	5,021	(18,913)
	<u>\$ 91,270,248</u>	<u>\$ 2,076,470</u>	<u>\$ 24,766,682</u>	<u>\$ 0</u>	<u>\$ (64,432,117)</u>	<u>\$ 5,021</u>	<u>\$ (64,427,096)</u>	<u>\$ (59,245,894)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net					64,523,009		64,523,009	62,797,367
Taxes levied on income					2,876,946		2,876,946	2,876,902
Investment Earnings					44,646	92	44,738	285,590
Miscellaneous Income							0	0
Total general revenues, special items, and transfers					<u>67,444,601</u>	<u>92</u>	<u>67,444,693</u>	<u>65,959,859</u>
Change in Net Assets					3,012,484	5,113	3,017,597	6,713,965
Net Assets—beginning					<u>48,198,424</u>	<u>137,168</u>	<u>48,335,592</u>	<u>41,621,627</u>
Net Assets—ending					<u>\$ 51,210,908</u>	<u>\$ 142,281</u>	<u>\$ 51,353,189</u>	<u>\$ 48,335,592</u>

STROUDSBURG AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

Total Fund Balances - Governmental Funds \$ 31,002,049

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. 163,435,041

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. (153,177,288)

Retainage due on construction in progress is capitalizable in the government wide statements, but is not accrued as an expenditure in the fund statements (1,875,517)

Provision for insurance reserve recorded an an expenditure in the governmental funds and a prepaid expense in the statement of net assets. 4,035,042

The tax revenues in the statement of activities which do not provide for current financial resources are not reported as revenue in the funds statements, rather it is reported as deferred revenue. 5,887,868

Bond issuance costs are amortized over the life of the related debt. Bond issuance costs are expensed in the funds as an expenditure of a current resource. 1,903,713

Total Net Assets - Governmental Activities \$ 51,210,908

STROUDSBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds **\$ (3,728,432)**

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

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

Depreciation	(4,059,511)
Capital Outlay	28,549,774

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

Principal paid on current debt	7,007,998
Payments to currently refund debt	19,370,000
Payments to advanced refund debt	13,300,000
Principal paid on TRAN	0

Proceeds from issuing debt is an increase in an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.

Proceeds from issuing debt	(25,665,000)
Proceeds from issuing refunding debt	(33,760,000)
Proceeds from TRAN	0

The current change of tax revenues in the statement of activities which do not provide for current financial resources are not reported as revenue in the funds statements, rather it is reported as deferred revenue.

514,398

The current change in the provision for compensated absences is an expenditure in the governmental funds, but a change in the liability provision in the statement of net assets

130,197

The current change in net other post employment benefits obligation

(148,947)

Capitalized interest and included in the basis of the constructed asset rather than classified as interest expense in the fund statements

0

Provision for insurance reserve recorded is an expenditure and prepaid expense in the governmental funds and a prepaid reserve in the statement of net assets.

308,147

Advanced refunding bond issuance costs are amortized over the life of the related debt. Bond issuance costs are expensed in the funds as an expenditure of a current resource.

1,193,860

Change in net assets of governmental activities

\$ 3,012,484

The accompanying notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS STATEMENTS

GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011)

	2012					
	Major Funds			Non-Major Funds	Total	
	General	Capital Projects	Total	Special Revenue	Governmental Funds	2011
<i>ASSETS</i>						
Cash & Cash Equivalents	\$ 509,476	\$	\$ 509,476	\$	\$ 509,476	\$ 318,638
Investments	10,628,445	21,547,600	32,176,045		32,176,045	37,489,916
Taxes Receivable (Net)	6,865,815		6,865,815		6,865,815	6,213,981
Due from Other Funds	478,767		478,767		478,767	249,472
Due from Other Governments	6,064,308		6,064,308		6,064,308	7,804,006
Prepaid Expenditures	31,258		31,258		31,258	12,726
	<u>\$ 24,578,069</u>	<u>\$ 21,547,600</u>	<u>\$ 46,125,669</u>	<u>\$ 0</u>	<u>\$ 46,125,669</u>	<u>\$ 52,088,739</u>
<i>LIABILITIES</i>						
Due to Other Funds	\$ 257,977	\$	\$ 257,977	\$	\$ 257,977	\$ 107,273
Accounts Payable	396,760		396,760		396,760	6,071,859
Accrued Salaries and Benefits	8,734,070		8,734,070		8,734,070	6,095,699
Deferred Tax Revenues	5,734,813		5,734,813		5,734,813	5,083,427
	<u>15,123,620</u>	<u>0</u>	<u>15,123,620</u>	<u>0</u>	<u>15,123,620</u>	<u>17,358,258</u>
<i>FUND BALANCES</i>						
Nonspendable	71,737		71,737		71,737	157,414
Restricted		21,547,600	21,547,600		21,547,600	23,958,882
Committed			0		0	2,863,488
Assigned	2,298,068		2,298,068		2,298,068	1,505,851
Unassigned	7,084,644		7,084,644	0	7,084,644	6,244,846
	<u>9,454,449</u>	<u>21,547,600</u>	<u>31,002,049</u>	<u>0</u>	<u>31,002,049</u>	<u>34,730,481</u>
	<u>\$ 24,578,069</u>	<u>\$ 21,547,600</u>	<u>\$ 46,125,669</u>	<u>\$ 0</u>	<u>\$ 46,125,669</u>	<u>\$ 52,088,739</u>

STROUDSBURG AREA SCHOOL DISTRICT

COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2010)

	2012							2011
	Major Funds			Non-Major Funds			Total	
	General	Capital Projects	Total	Special Revenue	Debt Service	Total	Governmental Funds	
REVENUES								
Local Sources	\$ 67,729,852	\$ 91,322	\$ 67,821,174	\$	\$	\$	\$ 67,821,174	\$ 67,861,984
State Sources	21,489,558		21,489,558				21,489,558	20,754,924
Federal Sources	2,212,085		2,212,085				2,212,085	3,639,302
	<u>91,431,495</u>	<u>91,322</u>	<u>91,522,817</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>91,522,817</u>	<u>92,256,210</u>
EXPENDITURES								
Regular Programs	41,118,076		41,118,076				41,118,076	36,627,225
Special Programs	11,416,060		11,416,060				11,416,060	10,821,739
Vocational Programs	1,189,186		1,189,186				1,189,186	3,691,318
Other Instructional Programs	1,029,799		1,029,799				1,029,799	1,190,713
Pupil Personnel Services	2,419,019		2,419,019				2,419,019	2,321,163
Instructional Staff Services	1,780,033		1,780,033				1,780,033	1,717,236
Administrative Services	4,990,377		4,990,377				4,990,377	5,184,219
Pupil Health	1,177,117		1,177,117				1,177,117	1,090,060
Business Services	609,395		609,395				609,395	537,328
Operation & Maintenance of Plant	8,612,327		8,612,327				8,612,327	8,376,469
Student Transportation Services	4,567,674		4,567,674				4,567,674	4,100,652
Central & Other Support Services	791,304		791,304				791,304	836,358
Student Activities & Athletics	1,026,048		1,026,048				1,026,048	980,851
Community Services	7,053		7,053				7,053	0
Capital Outlay	174,675	28,167,604	28,342,279				28,342,279	26,876,840
Refunds	47,020		47,020				47,020	32,396
Debt Service								
Fiscal Charges			0		1,295,102	1,295,102	1,295,102	367,496
Payments to currently refund debt			0		19,370,000	19,370,000	19,370,000	8,180,000
Payments to advanced refund debt			0		13,300,000	13,300,000	13,300,000	0
Payments to principal			0		7,007,998	7,007,998	7,007,998	11,741,212
Payments to interest			0		4,616,653	4,616,653	4,616,653	2,926,391
	<u>80,955,163</u>	<u>28,167,604</u>	<u>109,122,767</u>	<u>0</u>	<u>45,589,753</u>	<u>45,589,753</u>	<u>154,712,520</u>	<u>127,599,666</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>10,476,332</u>	<u>(28,076,282)</u>	<u>(17,599,950)</u>	<u>0</u>	<u>(45,589,753)</u>	<u>(45,589,753)</u>	<u>(63,189,703)</u>	<u>(35,343,456)</u>
OTHER FINANCING SOURCES AND (USES)								
Proceeds from refunding debt			0		33,760,000	33,760,000	33,760,000	8,420,000
Proceeds from issuing debt		25,665,000	25,665,000				25,665,000	54,645,000
Sale of fixed assets	36,271		36,271				36,271	10,500
Operating transfers in					11,829,753	11,829,753	11,829,753	16,157,086
Operating transfers out	(11,829,753)		(11,829,753)				(11,829,753)	(16,157,086)
	<u>(11,793,482)</u>	<u>25,665,000</u>	<u>13,871,518</u>	<u>0</u>	<u>45,589,753</u>	<u>45,589,753</u>	<u>59,461,271</u>	<u>63,075,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(1,317,150)</u>	<u>(2,411,282)</u>	<u>(3,728,432)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,728,432)</u>	<u>27,732,044</u>
FUND BALANCES, JULY 1	<u>10,771,599</u>	<u>23,958,882</u>	<u>34,730,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,730,481</u>	<u>6,998,437</u>
FUND BALANCES, JUNE 30	<u>\$ 9,454,449</u>	<u>\$ 21,547,600</u>	<u>\$ 31,002,049</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,002,049</u>	<u>\$ 34,730,481</u>

The accompanying notes are an integral part of the financial statements.

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Local revenues	\$ 67,167,327	\$ 67,167,327	\$ 67,729,852	\$ 562,525
State program revenues	21,548,978	21,548,978	21,489,558	(59,420)
Federal program revenues	2,441,255	2,441,255	2,212,085	(229,170)
	<u>91,157,560</u>	<u>91,157,560</u>	<u>91,431,495</u>	<u>273,935</u>
<i>EXPENDITURES</i>				
Regular Programs	40,815,594	41,118,294	41,118,076	218
Special Programs	11,105,498	11,564,498	11,416,060	148,438
Vocational Programs	1,474,768	1,474,768	1,189,186	285,582
Other Instructional Programs	1,119,559	1,062,559	1,029,799	32,760
Pupil Personnel Services	2,561,308	2,561,308	2,419,019	142,289
Instructional Staff Services	1,934,025	1,934,625	1,780,033	154,592
Administrative Services	5,085,476	5,086,176	4,990,377	95,799
Pupil Health	1,211,044	1,211,044	1,177,117	33,927
Business Services	578,695	609,695	609,395	300
Operation & Maintenance	9,642,978	9,585,278	8,612,327	972,951
Student Transportation Services	4,434,505	4,576,505	4,567,674	8,831
Central & Other Support Services	899,898	1,001,898	791,304	210,594
Student Activities	1,071,363	1,071,363	1,026,048	45,315
Community Services	1,500	7,500	7,053	447
Capital Outlay	0	204,114	174,675	29,439
Refunds	40,000	40,000	47,020	(7,020)
Fiscal Charges	0	0	0	0
Principal on short term debt	7,000,000	7,000,000	0	7,000,000
Interest on short term debt	40,000	40,000	0	40,000
	<u>89,016,211</u>	<u>90,149,625</u>	<u>80,955,163</u>	<u>9,194,462</u>
<i>Excess (deficiency) of revenues over expenditures</i>	2,141,349	1,007,935	10,476,332	9,468,397
<i>OTHER FINANCING SOURCES (USES)</i>				
Interfund Transfers to other funds	(11,296,977)	(12,186,883)	(11,829,753)	357,130
Proceeds from short term debt	7,000,000	7,000,000	0	(7,000,000)
Sale of fixed assets	0	0	36,271	36,271
Budgetary Reserve	0	0	0	0
	<u>(4,296,977)</u>	<u>(5,186,883)</u>	<u>(11,793,482)</u>	<u>(6,606,599)</u>
<i>Net change in fund balances</i>	<u>\$ (2,155,628)</u>	<u>\$ (4,178,948)</u>	<u>\$ (1,317,150)</u>	<u>\$ 2,861,798</u>

The accompanying notes are an integral part of the financial statements.

PROPRIETARY FUND STATEMENTS

GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
AS OF JUNE 30, 2012

	Enterprise	
	Food Services	
	2012	2011
<i>ASSETS</i>		
Cash & Cash Equivalents	\$ 112,604	\$ 190,370
Due from Other Funds	92	107,274
Due from Other Governments	248,315	173,513
Inventories	37,480	17,306
Fixed Assets, net of accumulated depreciation	0	15,548
	<u>\$ 398,491</u>	<u>\$ 504,010</u>
<i>LIABILITIES</i>		
Due to Other Funds	\$ 220,882	\$ 249,472
Accounts Payable	35,328	100,065
Deferred Revenues	0	17,306
	<u>256,210</u>	<u>366,843</u>
<i>NET ASSETS</i>		
Investment in Capital Assets	0	15,548
Retained earnings	<u>142,281</u>	<u>121,620</u>
	<u>142,281</u>	<u>137,168</u>
	<u>\$ 398,491</u>	<u>\$ 504,010</u>

The accompanying notes are an integral part of the financial statements.

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise	
	Food Services	
	2012	2011
<i>OPERATING REVENUES</i>		
Charges for service	\$ 1,149,223	\$ 1,196,490
	<u>1,149,223</u>	<u>1,196,490</u>
<i>OPERATING EXPENSES</i>		
Personnel	220,882	249,472
Purchased services	1,972,816	1,988,778
Depreciation	<u>15,548</u>	<u>16,864</u>
	<u>2,209,246</u>	<u>2,255,114</u>
<i>Net operating loss</i>	<u>(1,060,023)</u>	<u>(1,058,624)</u>
<i>NONOPERATING REVENUES</i>		
Interest revenue	92	195
Intergovernmental revenue	<u>1,065,044</u>	<u>1,039,711</u>
	<u>1,065,136</u>	<u>1,039,906</u>
<i>Change in net assets</i>	5,113	(18,718)
<i>NET ASSETS, JULY 1</i>	<u>137,168</u>	<u>155,886</u>
<i>NET ASSETS, JUNE 30</i>	<u><u>\$ 142,281</u></u>	<u><u>\$ 137,168</u></u>

The accompanying notes are an integral part of the financial statements.

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Food Services	
	2012	2011
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Cash received from users	\$ 1,256,405	\$ 1,089,216
Cash paid to employees	(220,882)	(249,472)
Cash paid to suppliers and contractors	(1,927,166)	(1,765,940)
<i>Net Cash Provided by Operating Activities</i>	(891,643)	(926,195)
<i>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</i>		
Cash received from federal sources	813,784	828,675
<i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i>		
Purchase of system equipment and improvements	0	0
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>		
Interest received	92	195
<i>NET INCREASE IN CASH AND CASH EQUIVALENTS</i>	(77,767)	(97,325)
<i>CASH AND CASH EQUIVALENTS, JULY 1</i>	190,371	287,696
<i>CASH AND CASH EQUIVALENTS, JUNE 30</i>	\$ 112,604	\$ 190,371

The accompanying notes are an integral part of the financial statements.

STROUDSBURG AREA SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUND**FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Food Services	
	2012	2011
<i>RECONCILIATION OF OPERATING NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</i>		
Net operating loss	\$ (1,060,023)	\$ (1,058,624)
<i>Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:</i>		
Depreciation	15,548	16,864
Donated USDA commodities	159,151	159,150
(Increase) decrease in inventory	(20,174)	47,111
(Decrease) increase in accounts payable	(64,737)	(7,894)
Increase in amounts due from other funds	107,182	(107,274)
Increase in amounts due to other funds	<u>(28,590)</u>	<u>24,472</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (891,643)</u>	<u>\$ (926,195)</u>

Donated USDA commodities	<u>\$ 159,151</u>	<u>\$ 159,150</u>
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The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUND STATEMENTS

GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
AS OF JUNE 30, 2012

	2012				
	Private Purpose Trust		Agency	Fiduciary	
	Expendable	Non-Expendable	Student	Fund	
	Scholarships	Scholarships	Activities	Total	2011
<i>ASSETS</i>					
Cash & Cash Equivalents	\$ 76,846	\$ 41,975	\$ 133,116	\$ 251,937	\$ 244,131
<i>LIABILITIES</i>					
Due to Other Funds	\$	\$	\$	\$	\$
Deposits held on behalf of others			133,116	133,116	124,340
	0	0	133,116	133,116	124,340
<i>NET ASSETS</i>					
Unrestricted	76,846	41,975	0	118,821	119,791
	\$ 76,846	\$ 41,975	\$ 133,116	\$ 251,937	\$ 244,131

The accompanying notes are an integral part of the financial statements.

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

	Private Purpose Trust	
	Scholarships	
	2012	2011
<i>ADDITIONS</i>		
Interest earnings	\$ 1,530	\$ 9,185
Contributions	2,536	0
	<u>4,066</u>	<u>9,185</u>
<i>DEDUCTIONS</i>		
Scholarships	<u>5,036</u>	<u>4,570</u>
	<u>5,036</u>	<u>4,570</u>
<i>Change in net assets</i>	(970)	4,615
<i>NET ASSETS, JULY 1</i>	<u>119,791</u>	<u>115,176</u>
<i>NET ASSETS, JUNE 30</i>	<u><u>\$ 118,821</u></u>	<u><u>\$ 119,791</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

GDB², LLP

STROUDSBURG AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT

ACCOUNTING POLICIES

The major accounting principles and practices followed by the Stroudsburg Area School District (the "District") are summarized below:

NATURE OF OPERATIONS

The District provides elementary and secondary education to the residents of the following municipalities: The Boroughs of Delaware Water Gap and Stroudsburg, Hamilton Township, and Stroudsburg Township. The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

REPORTING ENTITY

The reporting entity has been defined in accordance with the criteria established in Statement 14 issued by the *Governmental Accounting Standards Board* ("GASB"). The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation. As defined above, there are no other related organizations which should be included in the District's general purpose financial statements.

BASIS OF PRESENTATION

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS:

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

FUND ACCOUNTING

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

GOVERNMENTAL FUNDS:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's governmental funds:

General Fund (Major Fund) The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of The Commonwealth.

Capital Projects Fund (Major Fund) The capital projects fund accounts to be used for the acquisition, construction, or improvement of capital facilities.

Special Revenue Fund (Nonmajor Fund) The Special Revenue Fund accounts for specific revenue sources which are legally restricted to expenditures for specified purposes. Prior to the implementation to GASB #54, the District accounted for the student athletics program in this fund.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

BASIS OF PRESENTATION (continued)

FUND FINANCIAL STATEMENTS (CONTINUED):

GOVERNMENTAL FUNDS *(continued)*

Debt Service Fund (Nonmajor Funds)

The Debt Service Fund accounts for resources accumulated for the purpose of funding general long-term debt obligations.

PROPRIETARY FUNDS:

Proprietary Fund Proprietary funds account for the operations of the District that are financed and operated in a manner similar to those often found in the private sector. The fund included in this category is The District's Enterprise Fund. The Enterprise Fund accounts for the food service operations of the District.

FIDUCIARY FUNDS:

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

MEASUREMENT FOCUS:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Assets.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

BASIS OF PRESENTATION (continued)

MEASUREMENT FOCUS (CONTINUED):

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

BASIS OF PRESENTATION (continued)

BASIS OF ACCOUNTING (CONTINUED):

Revenues - Exchange and Non-exchange Transactions (continued):

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, grants, and student fees.

Deferred Revenue: Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012 but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

BUDGETARY DATA

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the superintendent, together with the business office, to prepare and submit a plan of financial operation to the School Board.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

BASIS OF PRESENTATION (continued)

CASH EQUIVALENTS and INVESTMENTS

Cash and cash equivalents consist of cash and liquid asset funds, which are carried at cost. Investments consist of liquid asset funds, certificates of deposit, mutual funds and U.S. government and government agency obligations, which are carried at fair value. The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

INVENTORIES

Enterprise Fund inventories consist of purchased and donated items. Purchased items are valued at the lower of cost (first-in, first-out method) or market. U.S. Department of Agriculture donated commodities are valued at fair market value at the time the items are received.

INTERFUND TRANSACTIONS

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. These advances (reported in "due from" asset accounts) are considered "available spendable resources". Interfund activity between governmental funds is eliminated in the government wide financial statements.

PROVISION FOR INSURANCE RESERVE

The District participates an insurance pool for employee health. The advance payments held in reserve representing future expenses has been recorded in the accompanying statement of net assets as a prepaid expense (asset).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAPITAL ASSETS

Capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions and construction costs are reflected as expenditures in governmental funds. In the government wide financial statements, these assets are capitalized and depreciated using the straight-line method over the estimated useful life. Fixed assets in the Enterprise Fund are stated at cost. Depreciation of equipment in the Enterprise Fund is computed using the straight-line method over the estimated useful life of the equipment. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (continued)**

LONG-TERM OBLIGATIONS

Long-term obligations are reported in the government wide statement of activities as a governmental activity. Long-term liabilities expected to be financed from operations of proprietary fund types are accounted for in those funds and as a business type activity.

SPECIFIC FUND BALANCE RESERVES

Specific fund balance reserves represent resources restricted for specific purposes such as capital projects, school athletics and scholarships.

STANDARD FUND BALANCE RESERVE

Standard fund balance reserve is used to segregate a portion of the fund balance to indicate that assets equal to the amount of the reserve are tied up in prepaid expenses and are, therefore, not available for appropriation.

TOTAL COLUMNS ON COMBINED STATEMENTS

The total columns on the fund financial statements entitled "2011" are presented for information purposes only. Interfund balances have not been eliminated and, as such, the column is not intended to present consolidated financial information.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments and deposit accounts:

- Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided (a) the funds are invested in investments listed above, (b) the investment company is managed so as to maintain its share at a constant net asset value, and (c) the investment company is rated in the highest category by a nationally recognized rating agency

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

Credit risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The majority of the School District's investments are in U.S. Government Obligations and are therefore not exposed to this type of risk. Investments in PLGIT, PSDLAF, and Federated Funds have received an AAAM rating from Standard & Poor's totaling.

Custodial credit risk –deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2012 and 2011, the bank balance of the District's deposits with financial institutions including cash equivalent investments was \$874,017 and \$753,139, respectively. The total bank balance that was not secured by federal depository insurance or collateralized through an investment pool was secured by securities pledged by the financial institutions for such funds, but not in the District's name. Investments are carried at fair value for June 30, 2012 and 2011, respectively, and was collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. Cost of these approximated fair value. The total amount of investments not secured by federal depository insurance was collateralized by securities pledged by the financial institution for such funds, but not in the District's name.

Custodial credit risk - investments

This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The Federated Investors Government Money Market Fund is a pooled investment fund, which invests in U.S. Treasury Securities with an average maturity of 90 days or less. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The School District's deposits in these pooled funds are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares of \$32,176,045. All investments in an external investment pools that are not SEC registered are subject to oversight by the Commonwealth.

NOTE 3 FUND BALANCES

Fund balances for 2011 have been classified in accordance with GASB #54 as defined in Note 15. Unassigned fund balance represents funds available for appropriation is \$7,084,644 and \$6,244,846 for 2012 and 2011, respectively.

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 4 DUE FROM OTHER GOVERNMENTS

Amounts in the General Fund that are due from other governments includes balances due from the Commonwealth of Pennsylvania's Department of Education ("PDE") for social security, retirement and transportation reimbursements as well as federal funds passed through the PDE. Enterprise Fund intergovernmental receivables include amounts due from the PDE for food subsidies, as well as federal funds passed through the PDE.

NOTE 5 REAL ESTATE TAXES

The real estate taxes for the District are collected from two boroughs and two townships. The tax on real estate, as levied by the School Board: The real estate taxes for the District are collected from two boroughs and two townships. The tax on real estate, as levied by the School Board:

- Fiscal 2010-2011 \$156.09 Mills per \$1,000 of assessed valuation of \$419,041,540
- Fiscal 2011-2012 \$156.09 Mills per \$1,000 of assessed valuation of \$424,384,370
- Fiscal 2012-2013 \$157.36 Mills per \$1,000 of assessed valuation of \$424,778,130

Assessed valuations of property are determined by Monroe County and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied is as follows:

August 1	Levy Date
August 1 -September 30	2% discount period
October 1 -November 30	Face payment period
December 1 -December 31	10% penalty period
January 1	Lien date

NOTE 6 CAPITAL ASSETS

The following is a summary of changes in the capital assets for governmental activities during fiscal 2012:

	Balance July 1	Additions	Deletions	Balance June 30
CAPITAL ASSETS				
Land and Land Improvements	\$ 16,071,406	\$	\$	\$ 16,071,406
Building and Building Improvements	150,003,567	29,031,470		179,035,037
Library Collections	4,535,739			4,535,739
Furniture and Equipment	<u>15,747,013</u>	<u>1,393,821</u>	<u>214,000</u>	<u>16,926,834</u>
	<u>\$ 186,357,725</u>	<u>\$ 30,425,291</u>	<u>\$ 214,000</u>	<u>\$ 216,569,016</u>
ACCUMULATED DEPRECIATION				
Building and Building Improvements	\$ 34,823,747	\$ 3,398,315	\$	\$ 38,222,062
Furniture and Equipment	<u>14,464,717</u>	<u>661,196</u>	<u>214,000</u>	<u>14,911,913</u>
	<u>\$ 49,288,464</u>	<u>\$ 4,059,511</u>	<u>\$ 214,000</u>	<u>\$ 53,133,975</u>

Business Type Activities (food services) has equipment totaling \$0 net of accumulated depreciation.

NOTE 7 RETIREMENT PLAN

All full-time and certain part-time employees of the District are covered by the Commonwealth of Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan.

PSERS provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments and healthcare premium assistance benefits to qualifying annuitants. The District's and its employees' obligation to contribute to PSERS are established by authority of Act 96 of the Public School Employees' Retirement Code. Benefit provisions are established and amended by the PSERS board of trustees. PSERS issues a comprehensive annual financial report that includes stand-alone financial statements and required supplementary information for the plan. *A copy may be obtained from PSERS' office in Harrisburg, Pennsylvania.*

NOTE 8 LIABILITY FOR FUTURE COMPENSATED ABSENCES

Vested or accumulated sick and vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the fund that will pay it. Amounts of vested or accumulated sick and vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities in the government wide financial statements. No expenditure is reported for these amounts in the fund statements. The District's collective bargaining agreements with its instructional and noninstructional employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally provide for payment of accumulated sick leave, at retirement, based upon years of service and days accumulated (subject to maximum accumulations). The rate paid varies by position. Vacation leave is available only to administrative and noninstructional employees. Vacation pay is earned in the year in which the service has been performed. Employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year. The compensated absences are recorded as expenditures in the year paid using expendable available financial resources.

NOTE 9 CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The District is not aware of any material items of noncompliance that would result in the disallowance of program expenditures. Additionally, the District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE

The following summarizes the changes in general obligation bonds and notes:

During its **June 30, 1998** fiscal year, the District issued \$10,194,410 of general obligation bonds to finance construction projects. These bonds are due in varying annual installments plus interest at rates ranging from 5.25% to 5.40% with final maturity scheduled for 2023. Also, during its June 30, 1998 fiscal year, the District issued \$21,750,000 of general obligation bonds to advance-refund a 1995 bond issue. These bonds have been refunded by Series 2009 A Bonds.

..... **\$ 10,194,410**

During its **June 30, 2002** fiscal year, the District issued \$5,720,000 of general obligation bonds to currently refund a 1997 bond issue. During 2005, the District paid off this series 2001 obligation. Also, during its June 30, 2002 fiscal year, the District issued \$33,000,000 of general obligation bonds to finance construction projects. These bonds are due in varying annual installments plus interest at rates ranging from 2.50% to 5.00%, with final maturity scheduled for 2022. These bonds were partially advanced refunded in 2006 and in 2007 as noted below.

..... **\$ 0 refunded by Series 2011 B**

During its **June 30, 2004** fiscal year, the District issued \$9,850,000 of general obligation bonds to finance construction projects and capital improvements. These bonds were refunded during fiscal 2011. Additionally, the District issued \$3,210,000 to currently refund series 1999 bonds. These bonds are due in varying annual installments plus interest at rates ranging from 2.0% to 3.3%, with final maturity scheduled for 2012.

..... **\$ 500,000**

During its **June 30, 2006** fiscal year, the District issued \$9,995,000 of general obligation bonds to partially refund Series A of 2001 outstanding bonds in the amount of \$9,475,000 and to advance refund \$520,000. The Bonds are due in varying annual installments plus interest at rates ranging from 3.3% to 4.25% with final maturity now, partially refunded, of scheduled for 2019.

..... **\$ 275,000 Partially refunded by Series 2012 A**

During its **June 30, 2007** fiscal year, the District issued \$9,995,000 of general obligation bonds to partially refund Series A of 2001 outstanding bonds in the amount of \$9,320,000 and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 3.5% to 4.05% with final maturity now, partially refunded, of scheduled for 2019.

..... **\$ 295,000 Partially refunded by Series 2012 B**

During its **June 30, 2008** fiscal year, the District issued \$15,000,000 of general obligation notes to finance the high school construction and renovation project and to pay the cost of issuance. The Note is payable in varying annual installments plus variable interest with final maturity scheduled for 2028. The maximum interest rate is 15%, the currently budgeted rate is 4%, and the weighted average rate paid in the June 30, 2012 fiscal year was 1.15%. to 1.07% *The Note is governed by a qualified interest rate management plan.*

..... **\$ 13,308,000**

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

During its **June 30, 2009** fiscal year, the District issued \$11,575,000 of general obligation bonds series 2009 A to currently refund the outstanding bond series 1998 and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 3% to a maximum of 4% with final maturity scheduled for 2013.

.....**\$ 3,015,000**

During its **June 30, 2009** fiscal year, the District issued \$8,030,000 of general obligation bonds series 2009 B to currently refund the outstanding bond series 2002 and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 2.1% to a maximum of 5% with final maturity scheduled for 2023.

.....**\$ 6,740,000**

During its **June 30, 2009** fiscal year, the District issued \$8,415,000 of general obligation bonds series 2010 to currently refund the outstanding bond series 2004 A and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 1% to a maximum of 3.45% with final maturity scheduled for 2027.

.....**\$ 8,105,000**

During its **June 30, 2009** fiscal year, the District issued \$17,000,000 of general obligation notes series 2010 A QSCB to finance the construction of the High School Project and to pay the cost of issuance. The notes are due in varying annual installments plus interest at rates ranging from 5% to a maximum of 5% with final maturity scheduled for 2027.

.....**\$ 16,395,000**

During its **June 30, 2004** fiscal year, the District entered into a Bond Purchase Agreement to issue \$34,750,000 in general obligation bonds at some future date, used to finance the construction of the contemplated new high school project. The amount available to issue declined each year according to the original repayment schedule. The bonds were issued in 2011 for \$30,645,000.

.....**\$ 29,380,000**

During its **June 30, 2012** fiscal year, the District issued \$13,770,000 of general obligation bonds series 2012 A to currently refund the outstanding bond series 2001 A and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 1% to a maximum of 3% with final maturity scheduled for 2022.

.....**\$ 13,765,000**

During its **June 30, 2012** fiscal year, the District issued \$25,665,000 of general obligation notes series 2011 D QSCB to provide for the High School Construction Project and to pay the cost of issuance. The Notes are due in varying annual installments plus interest at rate of 5% with final maturity scheduled for 2030.

.....**\$ 25,665,000**

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

During its **June 30, 2012** fiscal year, the District issued \$10,000,000 of general obligation bonds series 2012 A to currently refund a portion of the outstanding bond series 2006 and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 0.5% to a maximum of 3% with final maturity scheduled for 2027.

.....**\$ 10,000,000**

During its **June 30, 2012** fiscal year, the District issued \$8,030,000 of general obligation bonds series 2012 B to currently refund a portion of the outstanding bond series 2007 and to pay the cost of issuance. The Bonds are due in varying annual installments plus interest at rates ranging from 0.5% to a maximum of 3% with final maturity scheduled for 2025.

.....**\$ 9,990,000**

During its **June 2010** and **June 30, 2011** fiscal year, the District issued a Tax Revenue Anticipation Note (TRAN) in the amount of \$7,000,000. The funds were received in July 2009 and July 2010 and repaid in with in the respective school year with interest. The District did not issue a TRAN in 2012.

The District's lease agreement with the Vo-Tech Authority

The District's lease agreement with the Vo-Tech Authority requires the District to pay approximately 18% of the debt service of the Vo-Tech Authority's bonds as rentals. The District has recorded its share of the outstanding debt service of the Vo-Tech Authority, in the Government wide statement of net assets. Assets related to such debt, is not to be reported. These underlying bonds mature in 2016.

.....**\$ 802,813**

Defeased debt and in-substance defeasences

The District has advance-refunded various bond issues by creating separate irrevocable trust funds containing U.S. government securities or securities collateralized by U.S. government securities. The securities and earnings thereon are considered sufficient to fully service the bonds until they are called or mature. For financial reporting purposes, the bonds are considered defeased and the liability for those bonds has been removed from the accounts as a liability.

Stroudsburg Area School District

Notes to the Financial Statements (continued)

June 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

	Beginning	Proceeds	Principal	Refunding	Ending	Interest	Fiscal Charges	Premium (Discount)	Debt Service
BONDS									
SERIES 1998	\$ 10,194,410	\$	\$	\$	\$ 10,194,410	\$	\$	\$	\$
SERIES 2001 A	13,300,000			13,300,000	0				13,300,000
SERIES 2004	895,000		395,000		500,000	22,425			417,425
SERIES 2006	9,970,000			9,695,000	275,000	422,750			10,117,750
SERIES 2007	9,970,000			9,675,000	295,000	401,893			10,076,893
SERIES 2009 A	6,070,000		3,055,000		3,015,000	151,550			3,206,550
SERIES 2009 B	7,250,000		510,000		6,740,000	251,260			761,260
SERIES 2010	8,415,000		310,000		8,105,000	213,575			523,575
SERIES 2011 A	30,645,000		1,265,000		29,380,000	1,470,683			2,735,683
SERIES 2011 B		13,770,000	5,000		13,765,000	177,861	470,000		652,861
SERIES 2012 A		10,000,000			10,000,000		305,000		305,000
SERIES 2011 B		9,990,000			9,990,000		315,000		315,000
	<u>96,709,410</u>	<u>33,760,000</u>	<u>5,540,000</u>	<u>32,670,000</u>	<u>92,259,410</u>	<u>3,111,997</u>	<u>1,090,000</u>	<u>-</u>	<u>42,411,997</u>
NOTES									
SERIES 2008	13,894,000		586,000		13,308,000	149,156			735,156
SERIES 2010 A (Q)	17,000,000		605,000		16,395,000	850,000			1,455,000
SERIES 2011 D (Q)		25,665,000			25,665,000	478,806	385,073		863,879
	<u>30,894,000</u>	<u>25,665,000</u>	<u>1,191,000</u>	<u>-</u>	<u>55,368,000</u>	<u>1,477,962</u>	<u>385,073</u>	<u>-</u>	<u>3,054,035</u>
VO-TECH AUTHORITY LEASE RENTAL									
SERIES 1996	949,613		146,800		802,813	26,694			173,494
	<u>949,613</u>	<u>-</u>	<u>146,800</u>	<u>-</u>	<u>802,813</u>	<u>26,694</u>	<u>-</u>	<u>-</u>	<u>173,494</u>
TRAN	<u>0</u>				<u>0</u>				<u>0</u>
Combined Total	<u>\$ 128,553,023</u>	<u>\$ 59,425,000</u>	<u>\$ 6,877,800</u>	<u>\$ 32,670,000</u>	<u>\$ 148,430,223</u>	<u>\$ 4,616,653</u>	<u>\$ 1,475,073</u>	<u>\$ -</u>	<u>\$ 45,639,526</u>

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2009 MCTI Bonds

Refinancing 1996 bonds 5/19/09 estimates
MCTI 18.35% share

	Payment	Principal	Interest
10/15/12	163,633.37	151,387.50	12,245.87
4/15/13	10,467.07	0	10,467.07
10/15/13	165,524.57	155,057.50	10,467.07
4/15/14	7,957.71	0	7,957.71
10/15/14	168,520.21	160,562.50	7,957.71
4/15/15	5,549.27	0	5,549.27
10/15/15	170,699.27	165,150.00	5,549.27
4/15/16	2,968.80	0	2,968.80
10/15/16	<u>173,623.80</u>	<u>170,655.00</u>	<u>2,968.80</u>
	\$ 868,944.07	\$ 802,812.50	\$ 66,131.57

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

1998 Capital Appreciation Bonds
 Refunding 1995
 Intermediate School renovations

	Payment	Principal	Interest
10/1/13	\$ 1,415,000.00	\$ 636,467.00	\$ 778,533.00
4/1/14	1,415,000.00	620,194.50	794,805.50
10/1/14	1,415,000.00	604,332.35	810,667.65
4/1/15	1,415,000.00	586,927.85	828,072.15
10/1/15	1,415,000.00	571,858.10	843,141.90
4/1/16	1,415,000.00	554,269.65	860,730.35
10/1/16	1,415,000.00	539,964.00	875,036.00
4/1/17	1,415,000.00	521,201.10	893,798.90
10/1/17	1,500,000.00	538,110.00	961,890.00
4/1/18	1,500,000.00	521,055.00	978,945.00
10/1/18	1,500,000.00	507,405.00	992,595.00
4/1/19	1,500,000.00	493,110.00	1,006,890.00
10/1/19	1,500,000.00	480,165.00	1,019,835.00
4/1/20	1,500,000.00	466,560.00	1,033,440.00
10/1/20	1,500,000.00	454,305.00	1,045,695.00
4/1/21	1,500,000.00	442,350.00	1,057,650.00
10/1/21	1,500,000.00	430,725.00	1,069,275.00
4/1/22	1,500,000.00	419,400.00	1,080,600.00
10/1/22	1,500,000.00	408,375.00	1,091,625.00
4/1/23	<u>1,500,000.00</u>	<u>397,635.00</u>	<u>1,102,365.00</u>
	\$ 29,320,000.00	\$ 10,194,409.55	\$ 19,125,590.45

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2004 General Obligation Bonds
Refunding Issue \$3.21 million
Junior High

	Payment	Principal	Interest
10/15/12	508,250.00	500,000.00	8,250.00
4/15/13	<u>0</u>	<u>0</u>	<u>0</u>
	\$ 508,250.00	\$ 500,000.00	\$ 8,250.00

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2006 General Obligation Bonds
 Refunding Issue \$10 million
 Middle School

	Payment	Principal	Interest
10/1/12	5,372.00	0	5,372
4/1/13	15,372.00	10,000.00	5,372
10/1/13	5,187.00	0	5,187
4/1/14	45,187.00	40,000.00	5,187
10/1/14	4,437.00	0	4,437
4/1/15	44,437.00	40,000.00	4,437
10/1/15	3,677.00	0	3,677
4/1/16	48,677.00	45,000.00	3,677
10/1/16	2,800.00	0	2,800
4/1/17	47,800.00	45,000.00	2,800
10/1/17	1,900.00	0	1,900
4/1/18	46,900.00	45,000.00	1,900
10/1/18	1,000.00	0	1,000
4/1/19	<u>51,000.00</u>	<u>50,000.00</u>	<u>1,000</u>
	323,746.00	275,000.00	48,746.00

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2007 General Obligation Bonds
Refunding Issue \$10 million
Middle School

	Payment	Principal	Interest
10/1/12	5,645.00	0	5,645
4/1/13	10,645.00	5,000.00	5,645
10/1/13	5,555.00	0	5,555
4/1/14	15,555.00	10,000.00	5,555
10/1/14	5,375.00	0	5,375
4/1/15	55,375.00	50,000.00	5,375
10/1/15	4,462.00	0	4,462
4/1/16	59,462.00	55,000.00	4,462
10/1/16	3,445.00	0	3,445
4/1/17	58,445.00	55,000.00	3,445
10/1/17	2,400.00	0	2,400
4/1/18	62,400.00	60,000.00	2,400
10/1/18	1,200.00	0	1,200
4/1/19	<u>61,200.00</u>	<u>60,000.00</u>	<u>1,200</u>
	\$ 351,164	\$ 295,000.00	\$ 56,164.00

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2008 Variable Rate Note
Original Amount \$15 million
High School Renovation

	Payment	Principal	Interest
5/25/13	1,165,037.48	600,000.00	565,037.48
5/25/14	1,164,448.94	625,000.00	539,448.94
5/25/15	1,162,797.92	650,000.00	512,797.92
5/25/16	1,165,066.70	680,000.00	485,066.70
5/25/17	1,166,060.38	710,000.00	456,060.38
5/25/18	1,165,779.17	740,000.00	425,779.17
5/25/19	1,164,222.95	770,000.00	394,222.95
5/25/20	1,161,391.63	800,000.00	361,391.63
5/25/21	1,162,267.71	835,000.00	327,267.71
5/25/22	1,161,656.27	870,000.00	291,656.27
5/25/23	1,164,539.60	910,000.00	254,539.60
5/25/24	1,160,740.61	945,000.00	215,740.61
5/25/25	1,160,436.50	985,000.00	175,436.50
5/25/26	1,163,414.64	1,030,000.00	133,414.64
5/25/27	1,164,480.23	1,075,000.00	89,480.23
5/25/28	<u>1,163,633.37</u>	<u>1,120,000.00</u>	<u>43,633.37</u>
	\$18,615,974.1	\$13,345,000.00	\$5,270,974.1

2009A General Obligation Bonds
Refund balance of 1998 bonds
Intermediate School Renovations

	Payment	Principal	Interest
10/1/12	<u>\$ 3,060,225.00</u>	<u>\$ 3,015,000.00</u>	<u>\$ 45,225.00</u>

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2009B General Obligation Bonds
 Refund balance of 2002 bonds
 Middle School

	Payment	Principal	Interest
11/1/12	642,952.50	520,000.00	122,952.50
5/1/13	116,452.50	0	116,452.50
11/1/13	651,452.50	535,000.00	116,452.50
5/1/14	110,433.75	0	110,433.75
11/1/14	655,433.75	545,000.00	110,433.75
5/1/15	104,030.00	0	104,030.00
11/1/15	664,030.00	560,000.00	104,030.00
5/1/16	97,030.00	0	97,030.00
11/1/16	672,030.00	575,000.00	97,030.00
5/1/17	89,123.75	0	89,123.75
11/1/17	679,123.75	590,000.00	89,123.75
5/1/18	74,373.75	0	74,373.75
11/1/18	694,373.75	620,000.00	74,373.75
5/1/19	58,873.75	0	58,873.75
11/1/19	713,873.75	655,000.00	58,873.75
5/1/20	42,498.75	0	42,498.75
11/1/20	727,498.75	685,000.00	42,498.75
5/1/21	29,655.00	0	29,655.00
11/1/21	744,655.00	715,000.00	29,655.00
5/1/22	15,355.00	0	15,355.00
11/1/22	<u>755,355.00</u>	<u>740,000.00</u>	<u>15,355.00</u>
	\$8,338,605.00	\$6,740,000.00	\$1,598,605.00

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2010 General Obligation Bonds
Refunding Issue \$8.4 million
Middle School 5th Floor

	Payment	Principal	Interest
10/1/12	105,702.50	0.00	105,702.50
4/1/13	570,702.50	465,000.00	105,702.50
10/1/13	101,052.50	0.00	101,052.50
4/1/14	576,052.50	475,000.00	101,052.50
10/1/14	98,677.50	0.00	98,677.50
4/1/15	573,677.50	475,000.00	98,677.50
10/1/15	93,927.50	0.00	93,927.50
4/1/16	583,927.50	490,000.00	93,927.50
10/1/16	87,517.50	0.00	87,517.50
4/1/17	584,517.50	495,000.00	89,517.50
10/1/17	84,567.50	0.00	84,567.50
4/1/18	584,567.50	500,000.00	84,567.50
10/1/18	78,942.50	0.00	78,942.50
4/1/19	598,942.50	520,000.00	78,942.50
10/1/19	72,442.50	0.00	72,442.50
4/1/20	602,442.50	530,000.00	72,442.50
10/1/20	65,420.00	0.00	65,420.00
4/1/21	605,420.00	540,000.00	65,420.00
10/1/21	57,995.00	0.00	57,995.00
4/1/22	612,995.00	555,000.00	57,995.00
10/1/22	49,670.00	0.00	49,670.00
4/1/23	629,670.00	580,000.00	49,670.00
10/1/23	40,970.00	0.00	40,970.00
4/1/24	630,970.00	590,000.00	40,970.00
10/1/24	31,677.50	0.00	31,677.50
4/1/25	641,677.50	610,000.00	31,677.50
10/1/25	21,765.00	0.00	21,765.00
4/1/26	651,765.00	630,000.00	21,765.00
10/1/26	11,212.50	0.00	11,212.50
4/1/27	<u>661,212.50</u>	<u>650,000.00</u>	<u>11,212.50</u>
	10,110,080	8,105,000	2,005,080

STROUDSBURG AREA SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2010 General Obligation Notes

State Public School Building Authority

Qualified School

Construction Bonds

	Payment	Principal	Interest
9/1/12	980,000.00	555,000.00	425,000.00
3/1/13	425,000.00	0.00	425,000.00
9/1/13	1,000,000.00	575,000.00	425,000.00
3/1/14	425,000.00	0.00	425,000.00
9/1/14	990,000.00	565,000.00	425,000.00
3/1/15	425,000.00	0.00	425,000.00
9/1/15	1,025,000.00	600,000.00	425,000.00
3/1/16	425,000.00	0.00	425,000.00
9/1/16	1,025,000.00	600,000.00	425,000.00
3/1/17	425,000.00	0.00	425,000.00
9/1/17	1,030,000.00	605,000.00	425,000.00
3/1/18	425,000.00	0.00	425,000.00
9/1/18	1,040,000.00	615,000.00	425,000.00
3/1/19	425,000.00	0.00	425,000.00
9/1/19	1,045,000.00	620,000.00	425,000.00
3/1/20	425,000.00	0.00	425,000.00
9/1/20	1,265,000.00	840,000.00	425,000.00
3/1/21	425,000.00	0.00	425,000.00
9/1/21	1,245,000.00	820,000.00	425,000.00
3/1/22	425,000.00	0.00	425,000.00
9/1/22	1,225,000.00	800,000.00	425,000.00
3/1/23	425,000.00	0.00	425,000.00
9/1/23	1,760,000.00	1,335,000.00	425,000.00
3/1/24	425,000.00	0.00	425,000.00
9/1/24	1,865,000.00	1,440,000.00	425,000.00
3/1/25	425,000.00	0.00	425,000.00
9/1/25	1,590,000.00	1,165,000.00	425,000.00
3/1/26	425,000.00	0.00	425,000.00
9/1/26	2,530,000.00	2,105,000.00	425,000.00
3/1/27	425,000.00	0.00	425,000.00
9/1/27	<u>3,580,000.00</u>	<u>3,155,000.00</u>	<u>425,000.00</u>
	29,570,000	16,395,000	13,175,000

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2011 A General Obligation Bonds

School Construction

	Payment	Principal	Interest
12/1/13	621,992.50	0.00	621,992.50
6/1/13	1,946,992.50	1,325,000.00	621,992.50
12/1/14	602,117.50	0.00	602,117.50
6/1/14	1,992,117.50	1,390,000.00	602,117.50
12/1/15	581,267.50	0.00	581,267.50
6/1/15	2,041,267.50	1,460,000.00	581,267.50
12/1/16	563,017.50	0.00	563,017.50
6/1/16	2,098,017.50	1,535,000.00	563,017.50
12/1/17	532,317.50	0.00	532,317.50
6/1/17	2,147,317.50	1,615,000.00	532,317.50
12/1/18	491,942.50	0.00	491,942.50
6/1/18	2,191,942.50	1,700,000.00	491,942.50
12/1/19	466,442.50	0.00	466,442.50
6/1/19	2,261,442.50	1,795,000.00	466,442.50
12/1/20	437,273.75	0.00	437,273.75
6/1/20	2,327,273.75	1,890,000.00	437,273.75
12/1/21	404,198.75	0.00	404,198.75
6/1/21	2,399,198.75	1,995,000.00	404,198.75
12/1/22	358,980.00	0.00	358,980.00
6/1/22	2,468,980.00	2,110,000.00	358,980.00
12/1/23	315,725.00	0.00	315,725.00
6/1/23	2,545,725.00	2,230,000.00	315,725.00
12/1/24	268,337.50	0.00	268,337.50
6/1/24	2,633,337.50	2,365,000.00	268,337.50
12/1/25	209,212.50	0.00	209,212.50
6/1/25	2,709,212.50	2,500,000.00	209,212.50
12/1/26	143,587.50	0.00	143,587.50
6/1/26	2,798,587.50	2,655,000.00	143,587.50
12/1/27	73,893.75	0.00	73,893.75
6/1/27	<u>2,888,893.75</u>	<u>2,815,000.00</u>	<u>73,893.75</u>
	41,520,612.5	29,380,000	12,140,612.5

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2011 B General Obligation Bonds
School Construction

	Payment	Principal	Interest
10/1/12	188,298.00	0	188,298
04/1/13	193,298.00	5,000	188,298
10/1/13	188,272.00	0	188,272
04/1/14	1,328,272.00	1,140,000	188,272
10/1/14	176,872.00	0	176,872
04/1/15	1,631,872.00	1,455,000	176,872
10/1/15	160,172.00	0	160,172
04/1/16	1,645,172.00	1,485,000	160,172
10/1/16	140,472.00	0	140,472
04/1/17	1,670,472.00	1,530,000	140,472
10/1/17	123,022.00	0	123,022
04/1/18	1,723,022.00	1,600,000	123,022
10/1/18	97,272.00	0	97,272
04/1/19	1,747,272.00	1,650,000	97,272
10/1/19	76,647.00	0	76,647
04/1/20	1,766,647.00	1,690,000	76,647
10/1/20	51,297.00	0	51,297
04/1/21	1,781,297.00	1,730,000	51,297
10/1/21	24,050.00	0	24,050
04/1/22	<u>1,504,050.00</u>	<u>1,480,000</u>	<u>24,050</u>
	16,217,748	13,765,000	2,452,748

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

	2011 D (QSCB) General Obligation Notes		School Constr
	Payment	Principal	Interest
09/1/12	580,000.00	580,000	652,917
03/1/13	652,917.00	0	652,917
09/1/12	1,202,917.00	550,000	652,917
03/1/14	652,917.00	0	652,917
09/1/14	1,167,917.00	515,000	652,917
03/1/15	652,917.00	0	652,917
09/1/15	1,077,917.00	425,000	652,917
03/1/16	652,917.00	0	652,917
09/1/16	1,067,917.00	415,000	652,917
03/1/17	652,917.00	0	652,917
09/1/17	1,052,917.00	400,000	652,917
03/1/18	652,917.00	0	652,917
09/1/18	992,917.00	340,000	652,917
03/1/19	652,917.00	0	652,917
09/1/19	957,917.00	305,000	652,917
03/1/20	652,917.00	0	652,917
09/1/20	712,917.00	60,000	652,917
03/1/21	652,917.00	0	652,917
09/1/21	702,917.00	50,000	652,917
03/1/22	652,917.00	0	652,917
09/1/22	682,917.00	30,000	652,917
03/1/23	652,917.00	0	652,917
09/1/23	717,917.00	65,000	652,917
03/1/24	652,917.00	0	652,917
09/1/24	707,917.00	55,000	652,917
03/1/25	652,917.00	0	652,917
09/1/25	732,917.00	80,000	652,917
03/1/26	652,917.00	0	652,917
09/1/26	3,397,917.00	2,745,000	652,917
03/1/27	652,917.00	0	652,917
09/1/27	7,987,917.00	7,335,000	652,917
03/1/28	652,917.00	0	652,917
09/1/28	12,362,917.00	11,710,000	652,917
03/1/29	652,917.00	0	652,917
09/1/29	<u>5,000.00</u>	<u>5,000</u>	<u>652,917</u>
	47,211,261	25,665,000	22,852,095

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2012 A General Obligation Bonds
Refunding Series 2006

	Payment	Principal	Interest
10/1/12	138,217.00	0	138,217
04/1/13	143,990.00	5,000	138,990
10/1/13	138,977.00	0	138,977
04/1/14	143,977.00	5,000	138,977
10/1/14	138,961.00	0	138,961
04/1/15	143,961.00	5,000	138,961
10/1/15	138,937.00	0	138,937
04/1/16	143,937.00	5,000	138,937
10/1/16	138,910.00	0	138,910
04/1/17	143,910.00	5,000	138,910
10/1/17	138,878.00	0	138,878
04/1/18	143,878.00	5,000	138,878
10/1/18	138,841.00	0	138,841
04/1/19	143,841.00	5,000	138,841
10/1/19	138,795.00	0	138,795
04/1/20	193,795.00	55,000	138,795
10/1/20	138,107.00	0	138,107
04/1/21	198,107.00	60,000	138,107
10/1/21	137,357.00	0	137,357
04/1/22	197,357.00	60,000	137,357
10/1/22	136,607.00	0	136,607
04/1/23	196,607.00	60,000	136,607
10/1/23	135,857.00	0	135,857
04/1/24	2,635,857.00	2,500,000	135,857
10/1/24	103,045.00	0	103,045
04/1/25	238,045.00	135,000	103,045
10/1/25	101,155.00	0	101,155
04/1/26	5,371,155.00	5,270,000	101,155
10/1/26	27,375.00	0	27,375
04/1/27	<u>1,852,375.00</u>	<u>1,825,000</u>	<u>27,375</u>
	13,780,811	10,000,000	3,780,811

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 10 DEBT AND DEBT SERVICE (continued)

2012 B General Obligation Bonds
Refunding Series 2007

	Payment	Principal	Interest
10/1/12	129,581.00	0	129,581
04/1/13	188,979.00	45,000	143,979
10/1/13	143,855.00	0	143,855
04/1/14	173,855.00	30,000	143,855
10/1/14	143,735.00	0	143,735
04/1/15	173,735.00	30,000	143,735
10/1/15	143,570.00	0	143,570
04/1/16	173,570.00	30,000	143,570
10/1/16	143,383.00	0	143,383
04/1/17	173,383.00	30,000	143,383
10/1/17	143,158.00	0	143,158
04/1/18	173,158.00	30,000	143,158
10/1/18	142,858.00	0	142,858
04/1/19	172,858.00	30,000	142,858
10/1/19	142,558.00	0	142,558
04/1/20	237,588.00	95,000	142,588
10/1/20	141,311.00	0	141,311
04/1/21	236,311.00	95,000	141,311
10/1/21	140,064.00	0	140,064
04/1/22	545,064.00	405,000	140,064
10/1/22	134,748.00	0	134,748
04/1/23	2,074,748.00	1,940,000	134,748
10/1/23	106,993.00	0	106,993
04/1/24	2,436,993.00	2330000	106,993
10/1/24	73,500.00	0	73,500
04/1/25	<u>4,973,500.00</u>	<u>4,900,000</u>	<u>73,500</u>
	13,463,056	9,990,000	3,473,056

NOTE 11 DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In 2008, the District entered into a loan agreement with the Delaware Valley Regional Finance Authority ("DelVal") to borrow funds at a variable interest rate. The loan agreement qualifies as, and is designated as, a cash flow hedge. Below is a discussion of the risk factors that pertain to (i) the 2008 Note, the Loan Agreement, and the DelVal Swap Agreement and (ii) the other outstanding debt obligations, and any related interest rate management agreements, of the District.

Interest Rate Risk

The interest payments due from the District, under the terms of the Loan Agreement and the Participant Note, are calculated by the DelVal Program Administrator.

The District has opted under the loan agreement to pay a variable rate of interest, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), which adjusts weekly. The maximum rate of interest will be 15%. Under the terms of the Loan Agreement, the District has the right to convert, at any time, all or a portion of the 2008 Note to a fixed interest rate or to pay off the outstanding principal balance in full for any period up to the maturity date. After the issuance of the 2008 Note and the authorized notes, approximately 7.5% of the District's estimated interest payments, including interest rate swap payments will be variable rate.

Termination Risk

The District is obligated to pay any termination payment (the "termination charge") associated with the termination of the portion of the DelVal Swap Agreement allocable to the 2008 Note. The DelVal Swap Agreement allocable to the 2008 Note may be terminated with the mutual consent, as applicable, of the District, DelVal, MLCS, Citibank, FSA, and Ambac. A termination could also be triggered in the event of (i) a payment default by the District under the Loan Agreement, (ii) a payment default by DelVal, MLCS, Citibank, FSA, or Ambac under the DelVal Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by the District, DelVal, MLCS, Citibank, FSA, or Ambac, or (iv) the downgrading of the claims paying ratings of FSA or Ambac or the downgrading of the long term, unsecured, senior debt ratings of Merrill Lynch, Citibank, or DelVal.

In all instances of termination, except a payment default by the District on a portion of the 2008 Note that had been converted to a fixed rate, DelVal would seek to replace the terminated portion of the DelVal Swap Agreement with a new interest rate swap agreement on similar terms and conditions. The market value of the terminated portion of the DelVal Swap Agreement and the market value of the replacement swap agreement should largely offset one another. DelVal may not be able to secure the replacement interest rate swap agreement if the swap market is not functioning normally or if DelVal does not have access to the swap market.

NOTE 12 JOINT VENTURE

The District participates in a joint venture with three other school districts in the operation of the Monroe County Area Vocational-Technical School Authority (the "VoTech Authority"). The Vo-Tech Authority is governed by a joint operating committee consisting of three members appointed by each of the school districts. The Vo- Tech Authority oversees acquiring, holding, constructing, improving, and maintaining the vocational-technical school building. The Vo-Tech Authority issued Guaranteed School Revenue Bonds, to finance the construction of its facility, that are guaranteed by each of the four participating school districts through a lease agreement. The lease agreement requires each district to pay an amount equivalent to its percentage of the debt service costs of the bonds as rentals. The District's participation percentage is approximately 18%. Only the District's portion of the Guaranteed School Revenue Bonds of the Vo-Tech Authority outstanding at June 30, 2009 is included in the accompanying financial statements. However, the District does not have an equity interest as defined by GASB 14, except a residual interest in the net assets upon dissolution that should not be reflected in the financial statements. *The financial statements of the Monroe County Area Vocational-Technical School Authority are available from the Vo- Tech Authority.*

NOTE 13 NEWLY IMPLEMENTED ACCOUNTING PRONOUNCEMENTS

GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. It moves the District from the current standard of reporting three main classifications of fund balance (*reserved, designated, and unreserved/undesignated*) to five new fund balance classifications (*nonspendable, restricted, committed, assigned, and unassigned*). The statement also modifies the definition of existing governmental fund types. The changes to the general fund, debt service fund, and capital project fund definitions are minor and, in most cases, will not result in any changes to the fund types utilized. On the contrary, the changes to the special revenue fund definition included additional guidance on when resources should be reported in this fund type. It is expected in some cases to result in existing special revenue funds no longer meeting the criteria and therefore, resulting in fund reclassifications. Specifically, any fund that does not have an external revenue source as its foundation will likely no longer meet the definition of a special revenue fund.

GASB 54 is required to be implemented for financial statements for periods beginning after June 15, 2010. Retroactive restatement are required for all periods presented, although there is an exception for the statistical section in a CAFR. At a minimum, governments will need to apply this change at the beginning of the year of implementation so that the MD&A disclosures are comparative.

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 14 OTHER POST EMPLOYMENT BENEFITS

Percent of eligible retirees electing coverage in plan

100% OF ALL EMPLOYEES WHO ARE ELIGIBLE FOR A District subsidy and 50% of employees who are only eligible for Act 110/43 benefit at retirement are assumed to elect coverage. Of the Professional Administrators who are eligible for Option A and Option B, individuals assumed to be married are assumed to elect Option A, while individuals assumed not to be married are assumed to elect Option B.

Percent Married at Retirement

50% of Professional Administrators and 25% of all other groups are assumed to be married and have a spouse covered by the plan at retirement.

Spouse Age

Wives are assumed to be two years younger than their husbands.

Per Capita Claims Cost

Making use of weighted averages for various plan designs, the per capita cost for medical and prescription drug is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs are as follows:

<u>Age</u>	<u>Medical and Rx Combined</u>	
	<u>Males</u>	<u>Females</u>
45-49	\$ 4,179	\$ 6,035
50-54	\$ 5,534	\$ 6,821
55-59	\$ 6,741	\$ 7,137
60-64	\$ 8,796	\$ 8,199

Retiree Contributions

Retiree Contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Health Care Cost Trend Rate

8% in 2009, decreasing by 0.5% per year to 5.5% in 2014. Rates gradually decrease from 5.3% in 2015 to 4.2% in 2099 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Actuarial Value of Assets

Equal to the Market Value of Assets.

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Cost Method – Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost.

Actuarial Cost Method – Entry Age Normal

The Unfounded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Participant Data

Based on census information as of October 2010. However, the data is believed to be reasonably representative of the population for the 2010-2011 school year.

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
I. <u>PROFESSIONAL</u> <u>ADMINISTRATORS</u>	Must be eligible for PSERS Retirement	<p>Coverage: Medical and Prescription Drug</p> <p>Premium Sharing: Upon retirement, if Member has at least 30 years of PSERS service with at least 15 years of District service, member can choose between two options.</p> <p>Option A: District creates a pool of money equal to 40% of member's final salary, which must be used for premiums.</p> <p>Pool of money can be used to pay for the premium due to coverage of member, spouse and/or any eligible dependents. If pool of money runs out prior to member reaching Medicare age, member can continue coverage by paying the full premium.</p> <p>Option B: District pays full premium for single coverage for the member only. Member must pay for any additional premiums due to spouse and/or any eligible dependents.</p> <p>If member does not have at least 30 years of PSERS service with at least 15 years of District service, then member can only</p>	<p>Coverage for member continues until member reaches Medicare age.</p> <p>Coverage for spouse continues until earlier of:</p> <ul style="list-style-type: none"> i) spouse reaches Medicare age, or ii) later of member reaches Medicare age or pool money runs out.

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
		<p>elect Option A described above.</p> <p>Dependents. Spouse and Family included. Upon the death of a retiree who elected Option B, the spouse and any eligible dependents are able to continue Medicare and Prescription Drug until the pool of money runs out.</p>	
<p>II</p> <p><u>NONPROFESSIONAL ADMINISTRATORS</u></p>	Act 110/43	<p>Coverage: Medical and Prescription Drug.</p> <p>Premium Sharing: Upon retirement, if member has at least 30 years of PSERS service with at least 15 years of District service, District pays full premium for single coverage for the member only. Member must pay any additional to coverage of a spouse and/or any eligible dependents.</p> <p>If the member does not meet the requirements for the District subsidy but requirements are met for the Act 110/43 benefit, the member and spouse may continue coverage by paying the full premium as determined for the purpose of COBRA.</p> <p>Dependents: Spouse and Family included.</p>	<p>Coverage for member continues until member reaches Medicare age.</p> <p>Coverage for spouse continues until earlier of spouse reaches premiums due Medicare age or member reaches Medicare age.</p>
<p>III.</p> <p><u>TEACHERS</u></p>	Act 110/43	Same as II	Same as II
<p>IV.</p> <p><u>SUPPORT STAFF</u></p>	Act 110/43	<p>Coverage: Medical and Prescription Drug.</p> <p>Premium Sharing: If member retires under PSERS superannuation, District pays 7% for Each year of District service of the premium for Single coverage for the member only. Member Must pay the remainder of the premium for Single coverage plus any additional premiums Due to coverage of a spouse and/or any Eligible dependents.</p> <p>If the member does not meet the requirements for The District subsidy but requirements are met For the Act 110/43 benefit, the member and Spouse may continue coverage by paying the Full premium as determined for the purpose of COBRA.</p> <p>Dependents: Spouse and Family included.</p>	Same as II

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

		Total
Demographic Information		
Active Participants		811
Vested Former Participants		0
Retired Participants		45
Total		<u>856</u>
Annual Payroll of Active Participants		\$41,028,588
Asset Information		
Market Value of Assets		\$0
Actuarial Value of Assets		\$0
Actuarial Calculations		
Accrued Liability ¹		\$9,314,799
Normal Cost ²		\$741,343
Annual Required Contribution (ARC) ³		\$1,313,192
ARC as a Percentage of Payroll		3.20%
		Total
Financial Statement Calculations		
Annual OPEB Cost ^{1,2}		
For Period July 1, 2009 to June 30, 2010		\$1,313,192
For Period July 1, 2010 to June 30, 2011		\$1,299,255
Estimated Net OPEB Obligation at End of Year ^{3,4}		
As of June 30, 2010		\$850,278
As of June 30, 2011		\$1,626,053
Estimated Annual Pay-As-You-Go Cost Including Implicit Rate Subsidy ⁵		
For Period July 1, 2009 to June 30, 2010		\$462,914
For Period July 1, 2010 to June 30, 2011		\$523,480
		Total
Annual Required Contribution (ARC)		
Normal Cost as of July 1, 2009		\$709,419
Interest		31,924
Total Normal Cost		<u>\$741,343</u>
Total Normal Cost		\$741,343
Amortization of Unfunded Accrued Liability		571,849
Annual Required Contribution (ARC)		<u>\$1,313,192</u>
Annual Required Contribution (ARC)		\$1,313,192
Covered Payroll		41,028,588
ARC as a Percentage of Payroll		<u>3.20%</u>

STROUDSBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

	Total
Actuarial Present Value of Total Projected Benefits ¹	
Active Participants	\$19,337,266
Retired Participants	1,795,355
Total Actuarial Present Value of Projected Benefits	<u>\$21,132,621</u>
Accrued Liability	
Active Participants	\$7,519,444
Retired Participants	1,795,355
Total Accrued Liability	<u>\$9,314,799</u>
Unfunded Accrued Liability	
Accrued Liability	\$9,314,799
Less: Actuarial Value of Assets	0
Unfunded Accrued Liability	<u>\$9,314,799</u>
Amortization of Unfunded Accrued Liability	
Unfunded Accrued Liability	\$9,314,799
Amortization Factor ²	16.2889
Amortization of Unfunded Accrued Liability	<u>\$571,849</u>
	Total
<u>For Fiscal Year July 1, 2009 to June 30, 2010</u>	
Annual Required Contribution (ARC)	\$1,313,192
Interest on Net OPEB Obligation ¹	0
Adjustment to ARC ²	0
Annual OPEB Cost	<u>\$1,313,192</u>
Contributions Made (Estimated)	(462,914)
Estimated Increase in Net OPEB Obligation	<u>\$850,278</u>
Net OPEB Obligation - Beginning of Year	\$0
Estimated Net OPEB Obligation - End of Year ³	<u>\$850,278</u>
<u>For Fiscal Year July 1, 2010 to June 30, 2011</u>	
Annual Required Contribution (ARC) ⁴	\$1,313,192
Estimated Interest on Net OPEB Obligation ¹	38,263
Estimated Adjustment to ARC ²	(52,200)
Annual OPEB Cost	<u>\$1,299,255</u>
Contributions Made (Estimated)	(523,480)
Estimated Increase in Net OPEB Obligation	<u>\$775,775</u>
Estimated Net OPEB Obligation - Beginning of Year	\$850,278
Estimated Net OPEB Obligation - End of Year ³	<u>\$1,626,053</u>

The District estimated its 2012 OPEB Obligation to be \$1,775,000 pending current actuary valuation

Required Supplementary Information¹

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Total	7/1/2009	\$0	\$9,314,799	\$9,314,799	0.00%	\$41,028,588	22.70%

**SUPPLEMENTAL INFORMATION AND SUPPORTING DATA REQUIRED
BY OMB CIRCULAR A-133**

GDB², LLP



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VINCENT H. DESANCTIS, CPA, CVA
ROBERT E. BLIZARD, JR., CPA
TODD J. BUSHTA, CPA

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

BOARD OF DIRECTORS, STROUDSBURG AREA SCHOOL DISTRICT
STROUDSBURG, PENNSYLVANIA

COMPLIANCE

We have audited the compliance of Stroudsburg Area School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Stroudsburg Area School District's management. Our responsibility is to express an opinion on Stroudsburg Area School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Nonprofit 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 Stroudsburg 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 Stroudsburg Area School District's compliance with those requirements.

In our opinion, Stroudsburg Area School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program, as identified in the accompanying summary of auditor's results, for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

The management of Stroudsburg Area School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Stroudsburg Area School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, 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.

Grisling, Dardarone, Blizal & Baskin, LLP

ALLENTOWN, PENNSYLVANIA
OCTOBER 31, 2012

STROUDSBURG AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U. S. DEPARTMENT OF EDUCATION		
PASSED THROUGH PA DEPARTMENT OF EDUCATION		
Title 1	84.010	\$ 691,082
Title 2	84.367	175,878
Title 3	84.365	44,010
 U. S. DEPARTMENT OF EDUCATION		
PASSED THROUGH COLONIAL IU#20		
IDEA	84.027	648,663
 U. S. DEPARTMENT OF AGRICULTURE		
PASSED THROUGH PA DEPARTMENT OF EDUCATION		
National School Lunch	10.555	865,030
School Breakfast	10.553	163,294
Food Distribution	10.550	<u>84,374</u>
 Total Awards Expended		<u>\$2,672,331</u>

NOTE: *Schedule is prepared on the accrual basis of accounting.*

STROUDSBURG AREA SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS

YEAR ENDED JUNE 30, 2012

Financial Statements

Type of auditors' report issued: **Unqualified**

the financial statements are presented fairly.

Internal control over financial reporting

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

_____ yes X no

Identification of major programs:

CFDA Number(s)

84.010
84.027
10.555 and 10.553

Name of Federal Program or Cluster

Title 1
Special Education Grants to States IDEA
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs OMB Circular A-133, Section .520(b)

\$300,000

Auditee qualified as low-risk auditee? OMB Circular A-133, Section .530

 X yes _____ no

STROUDSBURG AREA SCHOOL DISTRICT
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS – FEDERAL AWARDS AUDIT

NONE

QUESTIONED COSTS – FINANCIAL STATEMENTS AUDIT

NONE

QUESTIONED COSTS – FEDERAL AWARDS AUDIT

NONE

STROUDSBURG AREA SCHOOL DISTRICT
AUDITORS' COMMENTS ON AUDIT RESOLUTION MATTERS
YEAR ENDED JUNE 30, 2012

N o n e R e q u i r e d

**SUPPLEMENTAL INFORMATION AND SUPPORTING DATA REQUIRED
BY PDE**

GDB², LLP

Stroudsburg Area School District

Schedule of Expenditure of Federal Awards as required by Pennsylvania Department of Education

Year Ended June 30, 2012

	Revenue Code	CFDA #	Pass-Through Grantor #	Received	Beginning Accrued or (Deferred) Amount	Revenue	Expenditures	Ending Accrued or (Deferred) Amount
U. S. Department of Education								
Passed Through PA Department of Education								
Title I Improving Basis Programs	8514	84.010	013-100422	\$ 525,313	\$ 525,313	\$ -	\$ -	\$ -
Title I Improving Basis Programs	8514	84.010	013-110422	534,292	522,510	-	-	(11,782)
Title I Improving Basis Programs	8514	84.010	013-120422	511,566	-	691,082	691,082	179,516
Title II Improving Teacher Quality	8515	84.367	020-110422	155,353	154,404	-	-	(949)
Title II Improving Teacher Quality	8515	84.367	020-120422	152,727	-	175,878	175,878	23,151
Title III Language Instruction LEP Immigrant Students	8516	84.365	010-110422	26,634	26,634	-	-	-
Title III Language Instruction LEP Immigrant Students	8516	84.365	010-120422	27,087	-	44,010	44,010	16,923
Title I ARRA	8703	84.394	127-100422	326,892	326,892	-	-	-
ARRA State Fiscal Stabilization Fund	8708	84.394	126-110422	661,207	661,207	-	-	-
U. S. Department of Education								
Passed Through Colonial IU#20								
IDEA Regular	6831	84.027	n/a	671,963	671,963	644,516	644,516	644,516
IDEA 619	6831	84.027	n/a	4,147	-	4,147	4,147	-
IDEA ARRA	6833	84.391A	n/a	737,501	737,501	-	-	-
U. S. Department of Agriculture								
Passed Through PA Department of Education								
School Lunch Hi Low	8531	10.555	362	865,030	-	865,030	865,030	-
School Breakfast Regular Needy	8531	10.553	365	46,957	-	46,957	46,957	-
School Breakfast Severe Need	8531	10.553	367	116,337	-	116,337	116,337	-
U. S. Department of Agriculture								
Passed Through PA Department of Agriculture								
Food Distribution	7600	10.550	n/a	84,374	-	84,374	84,374	-
Total				<u>\$ 5,447,380</u>	<u>\$ 3,626,424</u>	<u>\$ 2,672,331</u>	<u>\$ 2,672,331</u>	<u>\$ 851,375</u>

GDB², LLP