

**Indiana Area School District
Indiana, Pennsylvania**

**Single Audit as required by
OMB Circular A-133**

**For the Year Ended
June 30, 2012**

Table of Contents

List of Report Distributions	2
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Statement of Net Assets	16
Statement of Activities	17
Balance Sheet – Governmental Funds.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Statement of Net Assets – Proprietary Fund	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	24
Statement of Cash Flows – Proprietary Fund.....	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Notes to Financial Statements	27
Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	51
Schedule of Expenditures of Federal Awards and Certain State Grants.....	52
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	58
Schedule of Findings and Questioned Costs	60

List of Report Distribution

December 13, 2012

To the Members of the Board
Indiana Area School District
Indiana, Pennsylvania 15701

Board Members:

Not later than thirty days after receipt of the audit report, Indiana Area School District must distribute the audit report as follows:

One (1) copy to: Commonwealth of Pennsylvania –
Bureau of Audits
(submitted electronically)

One (1) copy to: Single Audit Clearinghouse
(submitted electronically)

Sincerely,

Kotzan CPA & Associates, P.C.

Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Indiana Area School District
Indiana, Pennsylvania 15701

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Indiana 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 basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic 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 Indiana Area School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2012 on our consideration of Indiana Area School District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 14 and page 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses

to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Kotzan CPA & Associates, P.C.
Kotzan CPA & Associates, P.C.
December 13, 2012

Management's Discussion and Analysis

Indiana Area School District

2011-2012

The discussion and analysis of Indiana 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 transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

This section of the Indiana Area School District annual financial report provides a discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2012. This discussion and analysis should be read in conjunction with the School District's accompanying financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

General Fund expenditures were \$45,125,441, which was a decrease over last year of \$1,497,777 or 3.2%. Salary and benefit costs, which comprise almost three-fourths of total expenditures, decreased by \$674,281 or 2.0%. The decrease in expenditures was primarily due to: the decrease in salary and benefits, a transfer to the Capital Reserve Fund of \$249,400 compared to \$576,700 in 2010-2011, a decrease of \$210,000 for supplies, textbooks and equipment, and a \$200,000 decrease in judgments against the District. The transfer to the Food Service Fund, which was \$125,000 in 2010-2011, was only \$70,000 in 2011-2012. General Fund revenue of \$45,446,922 was a decrease of \$770,508 or -1.7% over last year. The local revenue increased by \$56,479. State revenue increased by \$1,093,570, mainly due to an increase in the Basic Education Subsidy, but was offset by a decrease in Federal revenue of \$1,920,557 as a result of ARRA stimulus funds being eliminated. The school board did not increase real estate taxes for the 2011-2012 school year.

The General Fund Balance for fiscal year ended 2011-2012 of \$4,157,778 is an increase from the prior year of \$321,481 and equates to 8.4% of 2012-2013 budgeted expenditures.

USING THE ANNUAL FINANCIAL REPORT

The annual financial report includes the Management's Discussion and Analysis and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Indiana Area School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

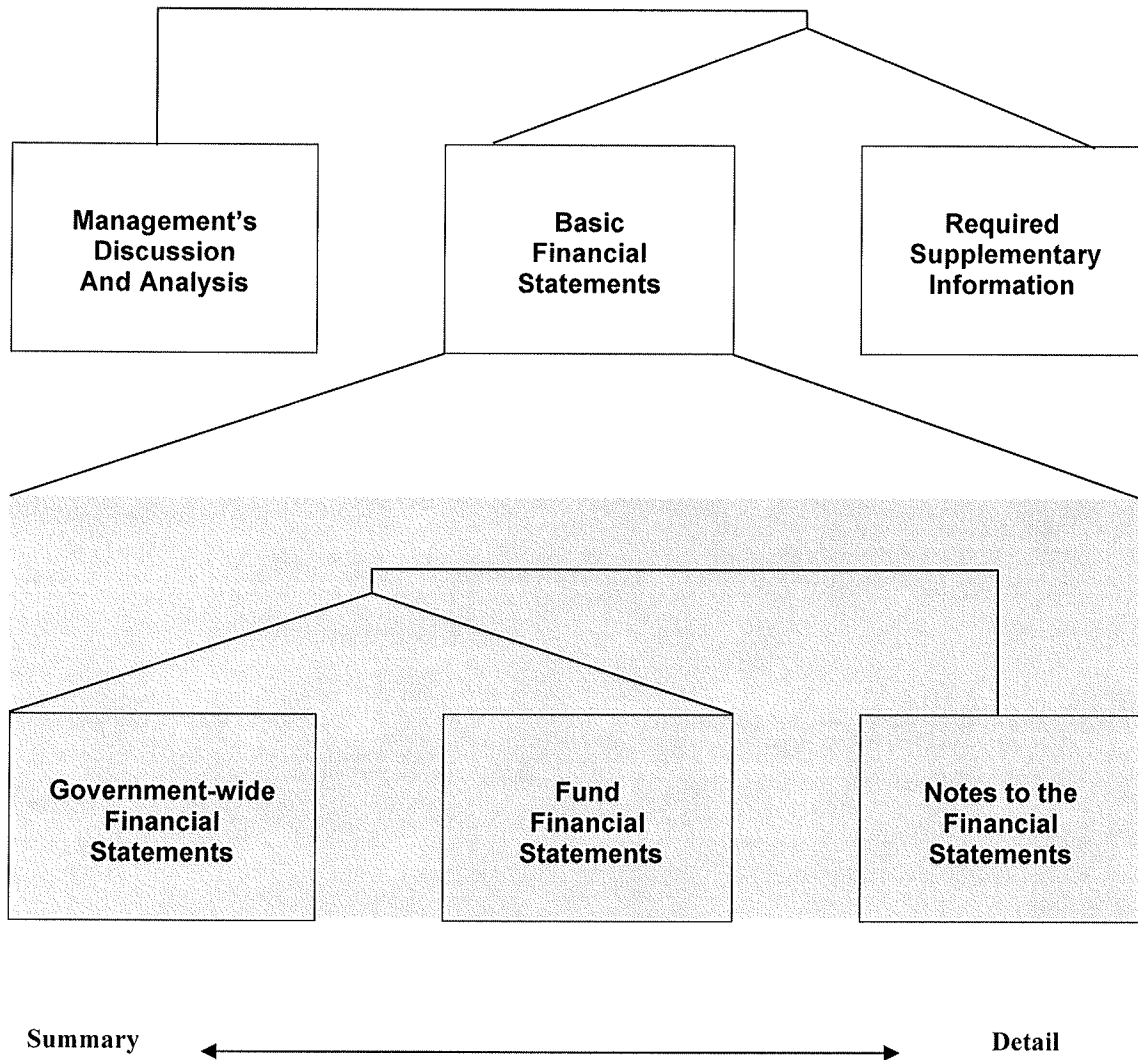
The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The Governmental Funds statements tell how general School District services were financed in the short-term as well as what remains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

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

Indiana Area School District
Management's Discussion and Analysis (MD&A)

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

Figure A-1
Required Components of
Indiana Area School District
Financial Report



Indiana Area School District
Management's Discussion and Analysis (MD&A)

Figure A-2 summarizes the major features of the School District's financial statements. The remainder of this overview section of the Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	Activities of the School District that are not proprietary or fiduciary, such as general operating, special revenue, capital projects and debt service	Activities the School District operates similar to private businesses, such as food services	Instances in which the School District administers resources on behalf of someone else such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets (deficit) • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

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

The Government-wide statements report the School District's *net assets* and how they have changed. Net assets – the difference between the School District's assets and liabilities – are one way of measuring the School District's financial health or position. Over time, increases or decreases in the School District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the School District's overall health, non-financial factors, such as changes in the School District's property tax base and the condition of existing school facilities should be considered.

In the Government-wide financial statements, the School District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the School District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid finance most of these activities.
- **Business-type Activities:** The School District charges fees to cover the cost of certain services such as food services programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds. These statements focus on the School District's most significant or "major" funds – not the School District as a whole. Funds are accounting components the School District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The School District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The School District has three types of funds as follows:

Governmental Funds: Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, a reconciliation between the two types of statements is provided to explain the relationship (or differences) between them.

Proprietary Funds: Services for which the School District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the Government-wide financial statements. The School District's *Enterprise Funds* (one type of Proprietary Fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The School District currently has one Enterprise Fund, the food service fund.

Indiana Area School District
Management's Discussion and Analysis (MD&A)

Fiduciary Funds: The School District is the trustee, or *fiduciary*, for assets that belong to others, such as student activity funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's total net assets were \$12,844,026 at June 30, 2012, which is an increase of \$642,526 over last year.

Figure A-3
 Fiscal Year ended June 30, 2012
 Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current assets	\$ 10,354,577	\$ 10,843,837	\$ 13,431	\$ 17,617	\$ 10,368,008	\$ 10,861,454
Noncurrent assets	<u>31,383,042</u>	<u>29,511,881</u>	<u>0</u>	<u>136,013</u>	<u>31,383,042</u>	<u>29,647,894</u>
Total assets	\$ 41,737,619	\$ 40,355,718	\$ 13,431	\$ 153,630	\$ 41,751,050	\$ 40,509,348
Current liabilities	\$ 5,938,690	\$ 6,189,149	\$ 81,355	\$ 168,177	\$ 6,020,045	\$ 6,357,326
Long-term liabilities	<u>23,529,505</u>	<u>21,307,996</u>	<u>0</u>	<u>0</u>	<u>23,529,505</u>	<u>21,307,996</u>
Total liabilities	\$ 29,468,195	\$ 27,497,145	\$ 81,355	\$ 168,177	\$ 29,549,550	\$ 27,665,322
Net assets invested in capital assets, net of related debt	\$ 8,244,962	\$ 8,328,579	\$ 0	\$ 136,013	\$ 8,244,962	\$ 8,464,592
Restricted for capital projects	2,076,289	1,902,445	0	0	2,076,289	1,902,445
Restrict - other	2,525	9,015	0	0	2,525	9,015
Unrestricted	<u>1,945,648</u>	<u>2,618,534</u>	<u>(67,924)</u>	<u>(150,560)</u>	<u>1,877,724</u>	<u>2,467,974</u>
Total net assets	\$ 12,269,424	\$ 12,858,573	\$ (67,924)	\$ (14,547)	\$ 12,201,500	\$ 12,844,026

Most of the School District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are primarily undesignated amounts. The restricted balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the

Indiana Area School District
Management's Discussion and Analysis (MD&A)

School District's activities that are supported by other general revenues. The two largest General Fund revenue sources are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and local taxes assessed to community taxpayers.

Figure A-4 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

Figure A-4
Fiscal Year ended June 30, 2012
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Charges for services	\$ 328,976	\$ 342,131	\$ 599,548	\$ 602,148	\$ 928,524	\$ 944,279
Operating grants and contributions	6,286,480	5,764,715	563,153	565,291	6,849,633	6,330,006
Taxes	28,602,785	29,180,712	0	0	28,602,785	29,180,712
Grants, subsidies and contributions, unrestricted	10,052,465	9,711,513	0	0	10,052,465	9,711,513
Cap Grants and contributions	609,413	453,768	0	0	609,413	453,768
Other	308,839	9,264	126,340	70,099	435,179	79,363
Total revenues	<u>46,188,958</u>	<u>45,462,103</u>	<u>1,289,041</u>	<u>1,237,538</u>	<u>47,477,999</u>	<u>46,699,641</u>
Expenses						
Instruction	\$ 31,333,691	\$ 30,163,692	\$ 0	\$ 0	\$ 31,333,691	\$30,163,692
Support services	13,478,190	13,005,251	0	0	13,478,190	13,005,251
Student activities	1,004,216	998,574	0	0	1,004,216	998,574
Interest on long-term debt	710,719	705,437	0	0	710,719	705,437
Food services	0	0	1,142,649	1,184,161	1,142,649	1,184,161
Total expenses	<u>46,526,816</u>	<u>44,872,954</u>	<u>1,142,649</u>	<u>1,184,161</u>	<u>47,669,465</u>	<u>46,057,115</u>
Increase (decrease) in net assets	<u>\$ (337,858)</u>	<u>\$ 589,149</u>	<u>\$ 146,392</u>	<u>\$ 53,377</u>	<u>\$ (191,466)</u>	<u>\$ 642,526</u>

Indiana Area School District
Management's Discussion and Analysis (MD&A)

Figure A-5 shows the School District's six largest functions – instruction, support services, other non-instructional services, student activities, community services, and debt service as well as each program's net cost (total cost less revenues generated by the activities). Also presented are the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Figure A-5
 Fiscal Year ended June 30, 2012
 Governmental Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Instruction	\$ 31,333,691	\$ 30,163,692	\$ 25,788,683	\$ 25,041,287
Support services	13,478,190	13,005,251	11,844,467	11,616,789
Student activities	1,004,216	998,574	958,078	948,827
Interest on long-term debt	710,719	705,437	710,719	705,437
Total governmental activities	\$ 46,526,816	\$ 44,872,954	39,301,947	38,312,340
Less:				
Unrestricted grants, subsidies			10,052,465	9,711,513
Total needs from local taxes and other revenues			\$ 29,249,482	\$ 28,600,827

Figure A-6 reflects the activities of the Food Service program, the only Business-type activity of the School District.

Figure A-6
 Fiscal Year ended June 30, 2012
 Business-type Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	2011	2012	2011	2012
Food services	\$ 1,142,649	\$ 1,184,161	\$ 20,052	\$ (16,722)
Total business-type activities			\$ 20,052	\$ (16,722)

The Statement of Revenues, Expenses and Changes in Net Assets (deficit) for this Proprietary Fund will further detail the actual results of operations.

THE SCHOOL DISTRICT FUNDS

At June 30, 2012, the School District's Governmental Funds reported a combined fund balance of \$6,060,223, which is an increase of \$147,637 over last year. An analysis of this change is detailed in the following paragraphs:

Indiana Area School District
Management's Discussion and Analysis (MD&A)

General Fund

The General Fund balance increased by \$321,481. When the 2011-2012 budget was adopted, a deficit of \$1,533,897 was projected. By spending \$866,499 less than budgeted while receiving \$988,879 more revenue than projected, the School District was able to close out the year with a surplus.

Capital Reserve Fund

The Capital Revenue Fund balance decreased by \$173,844. The reason for this decrease was expenditures of \$430,811, with revenue consisting of a transfer from the General Fund of \$249,400 and other revenue of only \$7,567.

Capital Projects

The Capital Projects Fund balance was zero for 2011 and 2012.

Proprietary Fund

The Proprietary Fund Type is used to report the results of operations of the Food Service Program. This year, the results of operations before contributions and transfers resulted in net loss of \$16,623. The net asset balance is an accumulated deficit of \$14,547.

The Board is aware of the weak financial status of the Food Service Program. The School District opted to contract with a management company 14 years ago in an effort to improve the efficiency and quality of the program. Since then the financial performance of the program has improved.

In analyzing food and labor costs, which represent most of the Food Service Program costs, it appears that the School District is operating within industry standards. Increasing prices may be required to maintain breakeven financial status annually. The School District has discussed contributions from the general fund over time to reduce the accumulated deficit rather than burdening current and future students with price increases for past deficits. The third contribution from the general fund occurred this year in the amount of \$70,000.

General Fund Budget

Budget transfers are required by state law and have been required since the Public School Code was adopted in 1949. Transfers are permitted from one class of expenditures to another without limit, so long as total expenditures of the School District do not exceed the original budget.

Over the years, there have been a number of different interpretations on how funds should be transferred and when. Presently, transfers are permitted to be made after the year-end audit adjustments are completed and are not required in connection with Federal program funds. To avoid confusion, we do transfers to cover all account categories regardless of whether or not Federal funds are involved and all transfers are done after the audit is complete.

The budget transfer practice we use lends itself to greater management control. Whenever certain classes of expenditures exceed original budget appropriations, it is easier to manage if original budget figures remain intact. Whenever funds are transferred several times per year, it tends to mask areas where close scrutiny should be exercised, generally weakening management control.

The administration authorizes expenditures of budget categories to be exceeded whenever expenditures vital to the program are required which may not have been contemplated at the time the budget was originally adopted. Examples of these types of expenditures are the addition of employees due to shifts

Indiana Area School District
Management's Discussion and Analysis (MD&A)

in class sizes, increased textbook orders due to enrollment increases, purchases of equipment vital to the program unforeseen at budget time, emergency maintenance and repair requirements and other expenditures of this nature.

The administration realizes that a certain amount of flexibility is necessary in this regard to effectively deliver the educational program. However, prudent management control must be exercised to avoid adverse financial consequences.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the School District has investments of \$29,234,592 in a broad range of capital assets, including land, school buildings, administrative offices, athletic fields, a maintenance building, fixtures and equipment. See Figure A-7. This amount represents a decrease of \$1,805,615 over the previous year and is mostly attributable to depreciation expense exceeding capital improvements. More detailed information about capital assets can be found in Note 8 to the financial statements. Total depreciation expense for the year amounted to \$2,159,417.

Figure A-7
Capital Assets – Net of Depreciation

	Governmental Activities		Business Activities		Totals	
	2011	2012	2011	2012	2011	2012
Government activities						
Land	\$ 1,178,015	\$ 1,202,315	\$ 0	\$ 0	\$ 1,178,015	\$ 1,202,315
Non-depreciable	<u>1,178,015</u>	<u>1,202,315</u>	<u>0</u>	<u>0</u>	<u>1,178,015</u>	<u>1,202,315</u>
Depreciable						
Land and site improvements	1,034,689	1,044,983	0	0	1,034,689	1,044,983
Building and building improvements	59,560,649	59,717,934	0	0	59,560,649	59,717,934
Machinery and equipment	<u>352,038</u>	<u>367,798</u>	<u>61,948</u>	<u>208,111</u>	<u>413,986</u>	<u>575,909</u>
Depreciable capital assets	60,947,376	61,130,715	61,948	208,111	61,009,324	61,338,826
Accumulated depreciation	<u>(31,085,184)</u>	<u>(33,234,451)</u>	<u>(61,948)</u>	<u>(72,098)</u>	<u>(31,147,132)</u>	<u>(33,306,549)</u>
Net book value	<u>29,862,192</u>	<u>27,896,264</u>	<u>0</u>	<u>136,013</u>	<u>29,862,192</u>	<u>28,032,277</u>
Total	<u>\$ 31,040,207</u>	<u>\$ 29,098,579</u>	<u>\$ 0</u>	<u>\$ 136,013</u>	<u>\$ 31,040,207</u>	<u>\$ 29,234,592</u>

Debt Administration

As of June 30, 2012, the School District had \$20,770,000 in general obligation bonds outstanding. This is a net decrease of \$2,200,000 as shown in Figure A-8.

Figure A-8
Outstanding Debt

General Obligation Notes/Bonds	2011	2012
General Obligation Bonds Series of 2003A	80,000	55,000
General Obligation Bonds Series of 2008	7,785,000	5,690,000
General Obligation Bonds Series of 2009	9,930,000	9,855,000
General Obligation Bonds Series of 2010	5,175,000	5,170,000
Total	\$22,970,000	\$20,770,000

ECONOMIC FACTORS IMPACTING THE FUTURE

At the time these financial statements were prepared, the School District was aware of the following issues that could have significant future fiscal impact:

- At the beginning of June 2012 the School Board approved a Guaranteed Energy Savings Act project with an estimated cost of 16.9 million dollars. The project's goal is to reduce energy costs and address some of the facility needs with the savings. The 16.9 million will be financed with a bond issue in August 2012 and another one sometime in early 2013.
- Increases in the employer contribution rate to fund the Public School Employees Retirement System is the most significant economic factor facing the school district. The rate is projected to increase gradually from 8.65% in the 2011-2012 fiscal year to 26.26% for 2016-2017, and reach a top rate of 28.04% in 2019-2020. The 2012-2013 rate is 12.36% and the 2013-2014 rate will be 16.93%. The Commonwealth of Pennsylvania reimburses 50% of the school district's contribution, which raises a concern over the amount of state funding that will be available for other purposes.

CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT

The financial report is designed to provide the School District's citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jared Cronauer, Business Manager, Indiana Area School District, 501 East Pike, Indiana, PA 15701.

BASIC FINANCIAL STATEMENTS

Indiana Area School District
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and equivalents	\$ 7,499,375	\$ 5,476	\$ 7,504,851
Taxes receivable	2,130,133	0	2,130,133
Intergovernmental receivables	928,005	0	928,005
Other receivables	286,324	0	286,324
Inventories	<u>0</u>	<u>12,141</u>	<u>12,141</u>
Total current assets	<u>10,843,837</u>	<u>17,617</u>	<u>10,861,454</u>
Noncurrent assets:			
Land	1,202,315	0	1,202,315
Depreciable capital assets, net	27,896,264	136,013	28,032,277
Deferred bond costs, net	298,273	0	298,273
Long-term receivables	<u>115,029</u>	<u>0</u>	<u>115,029</u>
Total noncurrent assets	<u>29,511,881</u>	<u>136,013</u>	<u>29,647,894</u>
Total assets	<u>\$40,355,718</u>	<u>\$ 153,630</u>	<u>\$ 40,509,348</u>
Liabilities			
Current liabilities:			
Internal balances	\$ (132,734)	\$ 132,734	\$ 0
Accounts payable	379,674	14,758	394,432
Accrued salaries and wages	2,180,146	0	2,180,146
Payroll deductions and withholdings	1,235,302	0	1,235,302
Accrued interest payable	177,476	0	177,476
Deferred revenues	3,280	20,685	23,965
Current portion of long-term liabilities	<u>2,346,005</u>	<u>0</u>	<u>2,346,005</u>
Total current liabilities	<u>6,189,149</u>	<u>168,177</u>	<u>6,357,326</u>
Noncurrent liabilities:			
Bonds payable, net	18,371,488	0	18,371,488
Long-term portion of compensated absences	898,865	0	898,865
Other long-term payable	0	0	0
Other long-term financing	1,553,343	0	1,553,343
Other post-employment benefits (OPEB)	<u>484,300</u>	<u>0</u>	<u>484,300</u>
Total noncurrent liabilities	<u>21,307,996</u>	<u>0</u>	<u>21,307,996</u>
Total liabilities	<u>27,497,145</u>	<u>168,177</u>	<u>27,665,322</u>
Net assets			
Invested in capital assets, net of debt	8,328,579	136,013	8,464,592
Restricted for capital projects	1,902,445	0	1,902,445
Restricted - other	9,015	0	9,015
Unrestricted	<u>2,618,534</u>	<u>(150,560)</u>	<u>2,467,974</u>
Total net assets	<u>12,858,573</u>	<u>(14,547)</u>	<u>12,844,026</u>
Total liabilities and net assets	<u>\$40,355,718</u>	<u>\$ 153,630</u>	<u>\$ 40,509,348</u>

See accompanying notes to the basic financial statements.