

SALISBURY TOWNSHIP SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2010

SALISBURY TOWNSHIP SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Board of School Directors
Salisbury Township School District
Allentown, 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 Salisbury Township School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Salisbury Township School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township School District as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2011, on our consideration of Salisbury Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8, 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 Salisbury Township School District financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to 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 taken as a

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

Frone, Anderson, Broule and Company, P.C.

Emmaus, Pennsylvania
January 14, 2011

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2010**

The discussion and analysis of Salisbury Township's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the financial statements and footnotes to enhance the understanding of the District's financial performance.

THE SCHOOL DISTRICT

Salisbury Township School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

FINANCIAL HIGHLIGHTS

The District's financial position, as reflected in total net assets decreased by \$368,470. Net assets of governmental activities decreased by \$355,095, and net assets of business-type activities decreased by \$13,375.

Total revenues were \$31,008,917. General fund revenues accounted for \$28,405,296 or 91.6 percent of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$6,176,244 or 19.92 percent of total revenues.

The school district had \$31,410,346 in expenses related to governmental activities; \$5,635,137 of these expenses was offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$25,775,209 covered the expenses.

At June 30, 2010, unreserved/undesignated fund balance of the general fund was \$2,555,398 or 8.4 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the school district's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. These statements are organized so the reader can understand Salisbury Township School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

Government-wide Financial Statements

There are two (2) government-wide financial statements: The Statement of Net Assets and the Statement of Activities. These statements report information about the District as a whole using the accrual basis of accounting similar to that used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities, short term as well as long-term. The Statement of Activities reports all current year revenues and expenditures regardless of when cash is received or paid.

Together, the two government-wide statements report the District's net assets and how they have changed. The Statement of Activities reports how the changes in net assets have occurred during the current fiscal year. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. Evaluation of the overall economic health of the district would extend to other factors such as changes in the district's property tax base, student enrollment, facility conditions, required educational programs and performance of the students.

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

- **Governmental Activities** – All of the District's basic services are included here, such as instruction, support services, administration, operation and maintenance of plant, pupil transportation, and extracurricular activities. Property taxes and state and federal subsidies finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff, students, and visitors to help cover its costs of operation.

Fund Financial Statements

The District's fund financial statements, which begin on page 13, provide detailed information about the most significant funds – not the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

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 future periods. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements on pages 14 and 15.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

Proprietary funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements. The Food Service Fund is the District's proprietary fund.

Fiduciary funds - The District is the trustee, or fiduciary, for scholarship, student activity and agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on Page 21. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net assets were \$17,412,361 for 2010 and \$17,780,831 for 2009. A comparison of the School District's net assets for 2010 compared to 2009 is as follows:

**Table A-1
Summary of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 18,685,459	\$ 13,066,533	\$ 149,298	\$ 116,952	\$ 18,834,757	\$ 13,183,485
Capital assets	43,110,816	33,032,305	202,517	220,154	\$ 43,313,333	33,252,459
Total assets	\$ 61,796,275	\$ 46,098,838	\$ 351,815	\$ 337,106	\$ 62,148,090	\$ 46,435,944
Current and other liabilities	\$ 4,385,271	\$ 3,840,791	\$ 108,133	\$ 80,049	\$ 4,493,404	\$ 3,920,840
Noncurrent liabilities	40,242,325	24,734,273			\$ 40,242,325	24,734,273
Total liabilities	\$ 44,627,596	\$ 28,575,064	\$ 108,133	\$ 80,049	\$ 44,735,729	\$ 28,655,113
Net Assets						
Invested in capital assets, net of related debt	3,390,816	8,957,305	\$ 202,517	\$ 220,154	3,593,333	\$ 9,177,459
Restricted	10,946,605	5,775,933			10,946,605	5,775,933
Unrestricted (deficit)	2,831,258	2,790,536	41,165	36,903	2,872,423	2,827,439
Total net assets	\$ 17,168,679	\$ 17,523,774	\$ 243,682	\$ 257,057	\$ 17,412,361	\$ 17,780,831
Total Liabilities and Net Assets	\$ 61,796,275	\$ 46,098,838	\$ 351,815	\$ 337,106	\$ 62,148,090	\$ 46,435,944

The District's net assets are invested in capital assets (buildings, land and equipment). The restricted net assets are for payment of compensated absences, future capital projects or other future uses as planned by the district.

The results of this year's operations as a whole are reported in the Statement of Activities on pages 11-12. 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 District's activities that are supported by other general revenues.

Table A-2 takes the information from that statement, rearranges it slightly, so the reader can see the total revenues for the year.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

Table A-2

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Change 2009 to 2010		
	2010	2009	2010	2009	2010	2009	Governmental Activities	Business-Type Activities	Total
	Revenues and other sources								
Program Revenues									
Charges for services	\$ 222,234	\$ 511,685	\$ 348,287	\$ 373,971	\$ 570,521	\$ 885,658	\$ (289,451)	\$ (25,684)	\$ (315,135)
Operating grants and contributions	5,359,820	4,718,054	192,820	163,734	5,552,640	4,881,788	641,766	29,086	670,852
Capital grants and contributions	53,083	16,542	-	-	53,083	16,542	36,541	-	36,541
General Revenues:									
Property Taxes	19,113,635	18,532,217	-	-	19,113,635	18,532,217	581,418	-	581,418
Taxes levied for specific purposes	2,820,294	3,197,258	-	-	2,820,294	3,197,258	(376,964)	-	(376,964)
Grants, subsidies and contributions, unrestricted	3,373,573	3,602,804	-	-	3,373,573	3,602,804	(229,231)	-	(229,231)
Other	112,612	308,346	50,523	190,704	163,135	497,050	(193,734)	(140,181)	(333,915)
Total Revenues and other sources	\$ 31,055,251	\$ 30,884,906	\$ 591,630	\$ 728,409	\$ 31,646,881	\$ 31,613,315	\$ 170,345	\$ (136,779)	\$ 33,586
Program expenses and other uses									
Instruction	\$ 17,115,903	\$ 17,277,272	-	-	\$ 17,115,903	\$ 17,277,272	\$ (161,369)	\$ -	\$ (161,369)
Support services									
Instructional student support	5,576,927	6,022,870	-	-	5,576,927	6,022,870	(445,943)	-	(445,943)
Administrative and financial support services	2,145,121	2,126,538	-	-	2,145,121	2,126,538	18,583	-	18,583
Operation and maintenance of plant services	2,435,328	2,287,968	-	-	2,435,328	2,287,968	147,360	-	147,360
Pupil transportation	1,832,162	1,936,112	-	-	1,832,162	1,936,112	(103,950)	-	(103,950)
Non-instructional services									
Student activities	1,120,809	1,056,445	-	-	1,120,809	1,056,445	64,364	-	64,364
Community services	-	-	-	-	-	-	-	-	-
Interest on long-term debt	1,131,813	880,924	-	-	1,131,813	880,924	250,889	-	250,889
Unallocated depreciation expense	52,293	52,293	-	-	52,293	52,293	-	-	-
Food services	-	-	605,005	605,470	605,005	605,470	-	(465)	(465)
Total Expenses	\$ 31,410,346	\$ 31,640,422	\$ 605,005	\$ 605,470	\$ 32,015,351	\$ 32,245,892	\$ (230,076)	\$ (465)	\$ (230,541)
Increase (decrease) in net assets	\$ (355,095)	\$ (755,516)	\$ (13,375)	\$ 122,939	\$ (358,470)	\$ (632,577)	\$ 400,421	\$ (136,314)	\$ 264,107

Governmental Activities

Governmental activities for 2010 resulted in a decrease in net assets of \$355,095. The decrease is primarily the result of additional debt incurred for renovation of the high school (see page 16).

The School District's revenues consist of Local (taxes and other), 72 percent; and State and Federal revenues (subsidies and grants), 28 percent. Local taxation is the major funding source for the District. The School District's program expenses are 54 percent instruction, 38 percent support services, 4 percent non-instructional and 4 percent debt interest.

Business-Type Activities

The District's food service operation is the business-type of activity. Charges for services, along with federal and state subsidies fund 89 percent of the food service operation. The remainder is funded with support from the general fund.

SCHOOL DISTRICT'S FUNDS

Financial information related to the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$31.0 million and expenditures of \$42.7 million. The net increase in fund balance was \$5.1 million. The capital projects fund generated a net source of funds due to the issuance of the 2009 and 2010 series general obligation bonds, a portion of which remained unspent at the close of the fiscal year.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

General Fund Budget Highlights

The School District's budget is prepared on the modified accrual basis of accounting. The Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the districts. Grant expenditures are budgeted in the Budgetary Reserve line item and transferred to the appropriate expenditure function as the funds are released by the grantor agency. The most significant budget transfers occur from the budget reserve category to specific expenditure areas. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is shown on page 17.

General fund revenues exceed expenditures by \$25,943. The 2009-10 budget was adopted with the expectation that expenditures would exceed revenues by approximately \$130,000. Due to a declining revenue base resulting from the collapse of the economic market, a number of planned expenditures were delayed or cancelled to reduce the possibility of a negative budget impact.

Revenues were under budget by \$521,231. Major revenues streams that failed to meet expected (budgeted) levels were earned income taxes, delinquent real estate tax collections, business privilege taxes and investment earnings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$43,313,333 invested in land, buildings, and equipment. This represents the capital assets of both the governmental and business-type activities of the District. The investment is shown net of accumulated depreciation.

Debt Administration

At June 30, 2010, the School District had \$39,720,000 in General Obligation Bonds principal outstanding. Out of this amount, \$1,335,000 is payable in the 2010-11 fiscal year. For additional information on long-term debt, see Note 7 to the financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT
ALLENTOWN, PENNSYLVANIA**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District does not expect significant growth in the near future given the residential nature of the District and the lack of developable land within the District. Act 1 of 2006 limits the ability of school districts to increase taxes. There are no alternative funding sources available to the district.

Health insurance premium increases are expected to be in excess of 21% for the 2010-11 fiscal year. In addition, contributions to the Pennsylvania School Employees Retirement System are 5.64% of payroll for 2010-11 and are projected to rise considerably in the future. The five year projected rates are: 8.65% in 2011-12; 12.19% in 2012-13; 16.69% in 2013-14; 21.18% in 2014-15 and 23.66% in 2015-16. The "Pension Reform Act", Act 120 of 2010 was signed into law during November, 2010. This legislation provides numerous changes to the current PSERS system, primarily for new employees beginning July 1, 2010. While this Act did provide a new structure for management of increased contribution rates for future years, the impact will continue to be significant for a school district the size of Salisbury Township.

The Board of Education has been assessing the capital improvement needs for the District since early 2002. On August 30, 2004, the Board passed a resolution to issue debt at a future date with a maximum amount of \$17,720,000 at an interest rate not to exceed 7.8323978%. The purpose of this resolution is to provide the district flexibility with debt exemptions under Act 72 and subsequently Act 1 and to complete capital improvements identified by the district. The 2008A general obligation bond issue used \$4,000,000 and the 2010 general obligation bond issue used \$8,290,000 of this "grandfathered" debt. The remainder of the qualified debt, \$5,430,000 will be utilized over a period of several years to fund various capital upgrades to the district facilities.

The budget for the 2010-11 year is \$728,879 more than the original budget for 2009-10. The real estate tax increased 1.409 mills from 44.036 mills to a millage rate of 45.445 mills. This represents a 3.20% increase. The Act 1 index allowed for a millage increase of 2.9%, therefore the actual tax increase was slightly above the maximum rate allowed. The district sought and was approved for exceptions to the Act 1 referendum requirements due to the increase in pension contributions required above the index.

Downward economic factors have a significant impact on the school district and its' future planning. While local, state and federal revenue streams are declining at a rapid pace, the educational needs of students and mandated programs continue to increase. Future budgets will require the school board and administration to work diligently to find solutions that will provide continued academic excellence in the programs we offer at the same time as staff and program cuts become necessary due to the declining revenue base.

Contacting the School District's Financial Management

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Christine L. Stafford, Business Administrator/Board Secretary at Salisbury Township School District, 1140 Salisbury Road, Allentown, Pennsylvania, 18103, or 610-797-2062 x1300.

SALISBURY TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2010

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 4,873,422	\$ 118,842	\$ 4,992,264
Investments	12,323,000	0	12,323,000
Taxes receivable	424,439	0	424,439
Internal balances	95,991	(95,991)	0
Intergovernmental receivables	549,071	9,488	558,559
Other receivables	436,113	200	436,313
Inventories	50,000	20,768	70,768
Prepaid expenses	29,414	0	29,414
Total Current Assets	<u>18,781,450</u>	<u>53,307</u>	<u>18,834,757</u>
<u>Noncurrent Assets:</u>			
Capital assets (net of accumulated depreciation)			
Land	492,022	0	492,022
Site improvements	275,349	0	275,349
Building & improvements	26,148,196	0	26,148,196
Furniture & equipment	1,354,971	202,517	1,557,488
Construction in progress	14,840,278	0	14,840,278
Total Noncurrent Assets	<u>43,110,816</u>	<u>202,517</u>	<u>43,313,333</u>
Total Assets	<u>61,892,266</u>	<u>255,824</u>	<u>62,148,090</u>
 <u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Accounts payable	1,355,137	0	1,355,137
Accrued salaries and benefits	1,481,259	4,236	1,485,495
Accrued interest payable	309,866	0	309,866
Current portion of long-term debt	1,335,000	0	1,335,000
Deferred revenues	0	7,906	7,906
Total Current Liabilities	<u>4,481,262</u>	<u>12,142</u>	<u>4,493,404</u>
<u>Noncurrent Liabilities:</u>			
Compensated absences payable	1,052,978	0	1,052,978
Other postemployment benefits	804,347	0	804,347
Bonds payable	38,385,000	0	38,385,000
Total Noncurrent Liabilities	<u>40,242,325</u>	<u>0</u>	<u>40,242,325</u>
Total Liabilities	<u>44,723,587</u>	<u>12,142</u>	<u>44,735,729</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,390,816	202,517	3,593,333
Restricted for capital projects	10,961,918	0	10,961,918
Restricted for athletics	(15,313)	0	(15,313)
Unrestricted	2,831,258	41,165	2,872,423
Total Net Assets	<u>\$17,168,679</u>	<u>\$ 243,682</u>	<u>\$17,412,361</u>
	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
Depreciation - unallocated	\$ 52,293	\$ 0	\$ 0	\$ 0
Instruction	17,115,903	187,295	2,247,733	0
Instructional student support	5,576,927	0	2,531,461	0
Administrative and financial support services	2,145,121	0	0	0
Operation and maintenance of plant services	2,435,328	0	0	0
Pupil transportation	1,832,152	0	567,828	0
Student activities	1,120,809	34,939	12,798	0
Interest on long-term debt	<u>1,131,813</u>	<u>0</u>	<u>0</u>	<u>53,083</u>
Total Governmental Activities	<u>\$31,410,346</u>	<u>\$ 222,234</u>	<u>\$5,359,820</u>	<u>\$ 53,083</u>
 <u>Business-type Activities</u>				
Food service	\$ <u>605,005</u>	\$ <u>348,287</u>	\$ <u>192,820</u>	\$ <u>0</u>
Total Business-type Activities	<u>605,005</u>	<u>348,287</u>	<u>192,820</u>	<u>0</u>
Total	<u>\$32,015,351</u>	<u>\$ 570,521</u>	<u>\$5,552,640</u>	<u>\$ 53,083</u>
	=====	=====	=====	=====

Property taxes, levied for general purposes, net
Taxes levied for specific purposes
Grants, subsidies and contributions not restricted to specific programs
Investment earnings
Miscellaneous income
Transfers between governmental and business-type activities
Total general revenues and transfers
Change in net assets
Net assets, July 1
Net assets, June 30

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES (Continued)
FOR THE YEAR ENDED JUNE 30, 2010

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (52,293)	\$ 0	\$ (52,293)
(14,680,875)	0	(14,680,875)
(3,045,466)	0	(3,045,466)
(2,145,121)	0	(2,145,121)
(2,435,328)	0	(2,435,328)
(1,264,324)	0	(1,264,324)
(1,073,072)	0	(1,073,072)
<u>(1,078,730)</u>	<u>0</u>	<u>(1,078,730)</u>
<u>\$ (25,775,209)</u>	<u>\$ 0</u>	<u>\$ (25,775,209)</u>
<u>\$ 0</u>	<u>\$ (63,898)</u>	<u>\$ (63,898)</u>
<u>\$ 0</u>	<u>(63,898)</u>	<u>(63,898)</u>
<u>\$ (25,775,209)</u>	<u>\$ (63,898)</u>	<u>\$ (25,839,107)</u>
19,113,635	0	19,113,635
2,820,294	0	2,820,294
3,373,573	0	3,373,573
135,261	523	135,784
27,351	0	27,351
<u>(50,000)</u>	<u>50,000</u>	<u>0</u>
<u>25,420,114</u>	<u>50,523</u>	<u>25,470,637</u>
(355,095)	(13,375)	(368,470)
<u>17,523,774</u>	<u>257,057</u>	<u>17,780,831</u>
\$ 17,168,679	\$ 243,682	\$ 17,412,361
=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,380,628	\$ 1,093,494	\$ 399,300	\$ 4,873,422
Investments	1,973,000	10,350,000	0	12,323,000
Taxes receivable	424,439	0	0	424,439
Due from other funds	113,508	0	0	113,508
Intergovernmental receivables	549,055	0	16	549,071
Other receivables	421,624	12,962	0	434,586
Inventories	50,000	0	0	50,000
Prepaid expenses	29,414	0	0	29,414
Total Assets	\$ 6,941,668	\$ 11,456,456	\$ 399,316	\$ 18,797,440

LIABILITIES AND FUND BALANCES

<u>Liabilities:</u>				
Due to other funds	\$ 0	\$ 0	\$ 15,990	\$ 15,990
Accounts payable	462,253	892,884	0	1,355,137
Accrued salaries and benefits	1,480,966	0	293	1,481,259
Deferred revenues	423,210	0	0	423,210
Total Liabilities	2,366,429	892,884	16,283	3,275,596
<u>Fund Balances:</u>				
Reserve for inventories	50,000	0	0	50,000
Reserve for capital projects	0	10,563,572	398,346	10,961,918
Reserve for athletics	0	0	(15,313)	(15,313)
Unreserved - designated	1,969,841	0	0	1,969,841
Unreserved - undesignated	2,555,398	0	0	2,555,398
Total Fund Balances	4,575,239	10,563,572	383,033	15,521,844
Total Liabilities and Fund Balances	\$ 6,941,668	\$ 11,456,456	\$ 399,316	\$ 18,797,440

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	PA PRRI Pass-Through Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources	\$ 22,447,240	0	\$ 77,032	\$ 35,617	\$ 22,559,889
State sources	5,092,228	2,478,174	0	12,798	7,583,200
Federal sources	865,828	0	0	0	865,828
Total revenues	<u>28,405,296</u>	<u>2,478,174</u>	<u>77,032</u>	<u>48,415</u>	<u>31,008,917</u>
EXPENDITURES					
Instruction	16,095,372	0	0	0	16,095,372
Support services	9,369,578	2,478,174	0	0	11,847,752
Noninstructional services	214,865	0	416,760	469,671	1,101,296
Capital outlay	9,578	0	11,321,750	28,244	11,359,572
Debt service	2,237,734	0	0	60,550	2,298,284
Refund of prior year receipts	26	0	0	0	26
Total expenditures	<u>27,927,153</u>	<u>2,478,174</u>	<u>11,738,510</u>	<u>558,465</u>	<u>42,702,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>478,143</u>	<u>0</u>	<u>(11,661,478)</u>	<u>(510,050)</u>	<u>(11,693,385)</u>
OTHER FINANCING SOURCES (USES)					
Bond issued	0	0	16,940,000	0	16,940,000
Transfers in	0	0	0	465,857	465,857
Transfers out	(452,200)	0	(63,657)	0	(515,857)
Total other financing sources (uses)	<u>(452,200)</u>	<u>0</u>	<u>16,876,343</u>	<u>465,857</u>	<u>16,890,000</u>
Net change in fund balances	25,943	0	5,214,865	(44,193)	5,196,615
Fund Balances, July 1	<u>4,549,296</u>	<u>0</u>	<u>5,348,707</u>	<u>427,226</u>	<u>10,325,229</u>
Fund Balances, June 30	\$ 4,575,239	\$ 0	\$10,563,572	\$ 383,033	\$ 15,521,844
	=====	=====	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts	Actual	Variance with
	Original	Final	Final Budget
		Amounts	Positive
			(Negative)
REVENUES			
Local sources	\$ 22,844,247	\$ 22,447,240	\$ (397,007)
State sources	5,211,666	5,092,228	(119,438)
Federal sources	<u>870,614</u>	<u>865,828</u>	<u>(4,786)</u>
Total revenues	<u>28,926,527</u>	<u>28,405,296</u>	<u>(521,231)</u>
EXPENDITURES			
Instruction	15,673,597	16,095,372	217,524
Support services	9,446,995	9,369,578	417,887
Noninstructional services	236,388	214,865	21,700
Capital outlay	0	9,578	2
Debt service	2,410,977	2,237,734	163,663
Refund of prior year receipts	0	26	(26)
Total expenditures	<u>27,767,957</u>	<u>27,927,153</u>	<u>820,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,158,570</u>	<u>478,143</u>	<u>299,519</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(573,165)	(483,889)	31,689
Budgetary reserve	(1,325,214)	(434,544)	434,544
Total other financing sources (uses)	<u>(1,898,379)</u>	<u>(452,200)</u>	<u>466,233</u>
Net change in fund balances	(739,809)	(739,809)	765,752
FUND BALANCES, JULY 1	<u>2,828,705</u>	<u>2,828,705</u>	<u>1,720,591</u>
FUND BALANCES, JUNE 30	<u>\$ 2,088,896</u>	<u>\$ 4,575,239</u>	<u>\$ 2,486,343</u>

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Food Service</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 118,842	\$ 0	\$ 118,842
Intergovernmental receivables	9,488	0	9,488
Other receivables	200	0	200
Inventories	<u>20,768</u>	<u>0</u>	<u>20,768</u>
Total Current Assets	<u>149,298</u>	<u>0</u>	<u>149,298</u>
<u>Noncurrent Assets:</u>			
Furniture and equipment (net)	<u>202,517</u>	<u>0</u>	<u>202,517</u>
Total Assets	<u>\$ 351,815</u>	<u>\$ 0</u>	<u>\$ 351,815</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Due to other funds	\$ 95,991	\$ 0	\$ 95,991
Accounts payable	0	0	0
Accrued salaries and benefits	4,236	0	4,236
Deferred revenues	<u>7,906</u>	<u>0</u>	<u>7,906</u>
Total Current Liabilities	<u>108,133</u>	<u>0</u>	<u>108,133</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of debt	202,517	0	202,517
Unrestricted	<u>41,165</u>	<u>0</u>	<u>41,165</u>
Total Net Assets	<u>\$ 243,682</u>	<u>\$ 0</u>	<u>\$ 243,682</u>
	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Food Service Fund</u>
Operating Revenues	
Food service revenue	\$ 348,287
Total Operating Revenues	<u>348,287</u>
Operating Expenses	
Salaries	264,923
Employee benefits	85,390
Purchased property services	5,296
Other purchased services	941
Supplies	229,832
Depreciation	17,637
Dues and fees	986
Other operating expenses	<u>0</u>
Total Operating Expenses	<u>605,005</u>
Operating (Loss)	<u>(256,718)</u>
Nonoperating Revenues	
Earnings on deposits	523
State sources	28,753
Federal sources	<u>164,067</u>
Total Nonoperating Revenue	<u>193,343</u>
Net (Loss) Before Operating Transfers	(63,375)
Operating Transfers In	<u>50,000</u>
Change in Net Assets	(13,375)
Net Assets, July 1	<u>257,057</u>
Net Assets, June 30	\$ 243,682 =====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Food Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from users	\$ 344,974
Cash payments to employees	(228,626)
Cash payments to suppliers	(235,742)
Cash payments for other operating expenses	(92,613)
Net Cash Used by Operating Activities	<u>(212,007)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Grants and subsidies received for non-operating activities:	
State	28,753
Federal	164,067
Operating transfers in	<u>50,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>242,820</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital outlay	<u>0</u>
Net Cash Used by Capital and Related Financing Activities	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Earnings on deposits	<u>523</u>
Net Cash Provided by Investing Activities	<u>523</u>
Net Increase in Cash and Cash Equivalents	31,336
Cash and Cash Equivalents, July 1	<u>87,506</u>
Cash and Cash Equivalents, June 30	\$ 118,842 =====
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</u>	
Operating (Loss)	\$ (256,718)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Depreciation	17,637
(Increase) decrease in accounts receivable	(3,313)
(Increase) decrease in inventory	2,303
Increase (decrease) in accounts payable	30,024
Increase (decrease) in accrued salaries	(1,516)
Increase (decrease) in deferred revenue	(424)
Total Adjustments	<u>44,711</u>
Net Cash Used by Operating Activities	\$ (212,007) =====
Non-cash investing, capital, and financing activities	None

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	<u>Agency</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 154,071	\$ 99,032	\$ 253,103
Total Assets	<u>154,071</u>	<u>99,032</u>	<u>253,103</u>
 <u>LIABILITIES AND NET ASSETS</u>			
<u>Liabilities:</u>			
Accounts payable	1,362	0	1,362
Due to other funds	1,527	0	1,527
Payroll deductions and withholdings	151,182	0	151,182
Due to student organizations	<u>0</u>	<u>99,032</u>	<u>99,032</u>
Total Liabilities	<u>154,071</u>	<u>99,032</u>	<u>253,103</u>
 <u>Net Assets:</u>			
Unrestricted	\$ 0	\$ 0	\$ 0
	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Agency</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
ADDITIONS			
Contributions	\$ 17,500	\$ 0	\$ 17,500
Interest	<u>4</u>	<u>0</u>	<u>4</u>
Total additions	<u>17,504</u>	<u>0</u>	<u>17,504</u>
DEDUCTIONS			
Vision benefits	<u>17,504</u>	<u>0</u>	<u>17,504</u>
Total deductions	<u>17,504</u>	<u>0</u>	<u>17,504</u>
Change in net assets	0	0	0
Net Assets, July 1	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets, June 30	\$ 0 =====	\$ 0 =====	\$ 0 =====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Salisbury Township School District (the District) conform to generally accepted accounting principles as applicable to governmental units. The District applies relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Board of School Directors, a nine member group, has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Salisbury Township School District, in accordance with an act established by the Commonwealth legislature. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 14, as amended. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the District. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the District.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. Substantially all tax revenues, Federal and State aid

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(except aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the District's day-to-day operations.

The PA PRRI Pass-Through Fund accounts for state aid which is passed through directly to Kidspace.

The Capital Projects Fund accounts for resources used to construct or acquire fixed assets and capital improvements. Resources of the capital projects fund are derived principally from budget transfers, long term debt proceeds, and investment earnings.

The District reports the following major proprietary fund:

The Food Service Fund is the District's proprietary fund established to account for all revenues, food purchases, costs, and expenses for the food service.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenue of the District is the sale of food to students and other related organizations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District also reports the following fund types:

The agency and activity funds are established to administer resources received and held by the District in a fiduciary capacity for others. Use of these funds facilitates the discharge of responsibilities placed upon the District by virtue of law or other authority. These funds are established to account for the resources of student groups and payroll taxes which is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1) In accordance with State law and District procedures, prior to May 31, the District Superintendent and Business Manager submit to the Board of School Directors, with whom the legal level of

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

budgetary control resides, a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. The only legally adopted budget is for the General Fund.

2) Public hearings are conducted to obtain taxpayer comment concerning the proposed budget.

3) Prior to June 30, the budget is legally enacted through passage of a resolution. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

4) Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.

5) All modifications, transfers and amendments must be approved by the Board of School Directors.

6) Formal budgetary integration is employed as a management control device during the year for the General Fund.

7) The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and Investments

Statutes allow the District to invest in obligations of the U.S. Treasury and U.S. Agencies, savings accounts or time deposits of institutions insured by FDIC and deposits in excess of insured amounts if collateralized by the depository.

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable

The property tax calendar for the fiscal year is as follows:

July 1	-	Levy Date
July 1 to August 31	-	2% Discount Period
September 1 to October 31	-	Face Payment Period
November 1 to December 31	-	10% Penalty Period
January 1	-	Lien Date

The tax rate for the year ended June 30, 2010, was \$44.036 per \$1,000 on a taxable valuation of \$443,155,000.

Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventory of the Food Service Fund is valued at the lower of cost or market. Inventories are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation and Amortization

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the financial statements.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Vehicles	8
Furniture, machinery and equipment	10 - 20
Computers	5

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)
Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Compensated Absences

Sick leave and severance allowances are recorded as expenditures in the year paid. Upon retirement, the District compensates professional employees and support staff for unused accumulated sick leave at the rate of \$30.00 per day, provided that the employee has completed 15 years of service within the District and has met the requirements of retirement with the Public School Employees' Retirement System.

District employees who are required to work a twelve-month schedule are credited with vacation rates which vary with length of service and job classification. Vacations generally may not be accumulated into future periods.

Long-term Obligations

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies (Continued)

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

NOTE 2 Deposits and Investments

The District's current investment policy is to place as much of the available funds into interest bearing accounts as feasible. Current cash requirements are kept in bank demand deposits. As of June 30, 2010, certificates of deposit in the amount of \$12,323,000 were held. The District does not pool cash of the various funds.

Deposits

The District requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name.

The District's deposits are categorized to give an indication of the level of risk assumed by the District. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

As of June 30, 2010, the carrying amount of the District's deposits is \$546,792 and the bank balance is \$1,244,530. Of the bank balance, \$263,550 is covered by federal depository corporation insurance. Deposits, categorized by level of risk, are:

		<u>Categories</u>		<u>Bank Balance</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	\$ 263,550	\$ 0	\$ 980,980	\$ 1,244,530	\$ 546,792
<u>Uncategorized</u>					
PA School District Liquid Asset Fund				1,688,440	1,493,717
PA Local Government Investment Trust				<u>3,206,069</u>	<u>3,204,858</u>
				\$ 6,139,039	\$ 5,245,367
				=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2 Deposits and Investments (Continued)

Deposits (Continued)

The District deposits cash in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) which are governmental cash management pools. The purpose of the pools are to allow governmental units to maximize investment potential through cash pooling while providing security and liquidity. The investments of the pools are held in safekeeping by the investment custodians. Although the PSDLAF and PLGIT portfolios contain investments that are individually insured and guaranteed, the investment is not categorized as to credit risk, as required by Governmental Accounting Standards Board Statement No. 3.

Investments

Authorized types of investments for the District funds are as follows:

- a) United States Treasury Bills and Notes.
- b) Short-term obligations of the United States, its agencies or instrumentalities.
- c) Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.
- d) Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania or political subdivisions.
- e) Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

Investments made by the District are summarized on the next page. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 2 Deposits and Investments (Continued)

Investments, categorized by level of risk, are:

	<u>Categories</u>			<u>Fair</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Amount</u>
Certificates of deposit	\$ 0	\$ 0	\$12,323,000	\$12,323,000	\$12,323,000

NOTE 3 Taxes Receivable and Deferred Revenue

Property taxes are collected and remitted to the District by the local tax collector. Earned income, per capita, and business and occupational privilege taxes are collected and remitted to the District by an independent collection company.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund after the taxes are levied. At June 30, 2010, the receivables represent delinquent property taxes, as well as current earned income taxes and interim real estate taxes. Delinquent property taxes not paid within 60 days of June 30 are recorded as deferred revenue.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the District regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 4 Interfund Receivable and Payable Balances

The District had interfund receivable and payable balances in the following amounts at June 30, 2010:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 113,508	\$ 0
Athletic Fund	0	15,990
Food Service Fund	0	95,991
Payroll Fund	0	1,527
Total	\$ 113,508	\$ 113,508
	=====	=====

NOTE 5 Intergovernmental Receivables and Deferred Revenue

Intergovernmental receivables are comprised of amounts due from the state and federal governments for grants and subsidies. Revenue is recorded as earned when eligibility requirements are satisfied. The receivable balance consists of the following at June 30, 2010:

Federal grant revenues	\$ 394,717
State subsidy revenues	163,842
Total	\$ 558,559
	=====

Grant revenues deferred in the financial statements represent inventory of the Food Service Fund from donated commodities received from the federal government.

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 6 Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance <u>07/01/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/10</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 492,022	\$ 0	\$ 0	\$ 492,022
Capital assets, being depreciated:				
Site improvements	1,083,462	0	0	1,083,462
Buildings and improvements	48,297,839	0	0	48,297,839
Furniture and equipment	2,323,679	362,152	(1,300)	2,684,531
Construction in progress	<u>3,841,558</u>	<u>10,998,720</u>	<u>0</u>	<u>14,840,278</u>
Total capital assets being depreciated	<u>55,546,538</u>	<u>11,360,872</u>	<u>(1,300)</u>	<u>66,906,110</u>
Less accumulated depreciation for:				
Site improvements	(787,460)	(20,653)	0	(808,113)
Buildings and improvements	(21,189,778)	(959,865)	0	(22,149,643)
Furniture and equipment	<u>(1,029,017)</u>	<u>(301,843)</u>	<u>1,300</u>	<u>(1,329,560)</u>
Total accumulated depreciation	<u>(23,006,255)</u>	<u>(1,282,361)</u>	<u>1,300</u>	<u>(24,287,316)</u>
Total capital assets, being depreciated, net	<u>32,540,283</u>	<u>10,078,511</u>	<u>0</u>	<u>42,618,794</u>
Governmental activities capital assets, net	\$33,032,305	\$10,078,511	\$ 0	\$43,110,816
	=====	=====	=====	=====
	Balance <u>07/01/09</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/10</u>
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 482,973	\$ 0	\$ 0	\$ 482,973
Less accumulated depreciation	<u>(262,819)</u>	<u>(17,637)</u>	<u>0</u>	<u>(280,456)</u>
Business-type activities capital assets, net	\$ 200,154	\$ (17,637)	\$ 0	\$ 202,517
	=====	=====	=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 6 Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Instruction	\$1,086,913	Food service	\$ 17,637
Instructional support	123,642		
Non-instructional services	19,513		
Unallocated	<u>52,293</u>		
Total	<u>\$1,282,361</u>		<u>\$ 17,637</u>
	=====		=====

NOTE 7 Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only.

The following is a summary of the details of outstanding bonds as of June 30, 2010:

General Obligation Bonds Series AA of 1991: date of issue was November 1, 1991; registered bonds; original amount was \$3,985,000; yield to maturity varies from 6.55% to 6.75%; maturity date was September 1, 2009.

General Obligation Bonds Series of 2006: date of issue was February 15, 2006; registered bonds; original amount was \$6,575,000; yield to maturity varies from 3.10% to 3.50%; maturity date is November 15, 2014.

General Obligation Bonds Series of 2008: date of issue was June 15, 2008; registered bonds; original amount was \$8,470,000; yield to maturity varies from 2.80% to 3.75%; maturity date is February 15, 2020.

General Obligation Note Series of 2008: date of issue was May 21, 2008; original amount was \$1,000,000; maturity date is February 1, 2011.

General Obligation Bonds Series A of 2008: date of issue was July 15, 2008; registered bonds; original amount was \$4,000,000; yield to maturity varies from 4.00% to 4.15%; maturity date is May 15, 2024.

General Obligation Bonds Series AA of 2008: date of issue was July 15, 2008; registered bonds; original amount was \$4,500,000; yield to maturity varies from 3.00% to 4.50%; maturity date is May 15, 2033.

General Obligation Bonds Series of 2009: date of issue was November 15, 2009; registered bonds; original amount was \$8,650,000; yield to maturity varies from 2.45% to 4.60%; maturity date is April 1, 2035.

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 8 Accumulated Compensated Absences

Early Retirement Incentive

The District offers early retirement incentive programs to teachers, administrative and supervisory personnel. Payment shall be made only after the sum is included in the adopted budget of the District. In the event that the retiree dies prior to payment, it will be made posthumously in accordance with retirement policy.

Severance Pay

The District pays teachers \$30 per day for unused vacation, sick, personal and emergency days. In addition, teachers receive a retirement payment in the amount of .75% of their final salary multiplied by the total years of service. Each payment is contingent upon the teacher serving at least fifteen years of service within the District.

The District pays manager and administrative personnel \$30 per day for unused vacation, sick, personal and emergency days. In addition, these employees receive \$50 per year for each year of service rendered in Salisbury Township School District.

In the governmental fund financial statements, these accumulated leaves are recorded as expenditures in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years is recorded in the government-wide financial statements.

NOTE 9 Retirement Plan

The District contributes to the Public School Employees' Retirement System (the System) which is a governmental cost sharing multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. The System is authorized by the provisions of The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended). The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Diane J. Wert, Office of Financial Management, Public School Employees' Retirement System, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at <http://www.psers.state.pa.us/publications/cafr/index.htm>.

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 7 Long-Term Debt (Continued)

General Obligation Bonds Series of 2010: date of issue was June 9, 2010; registered bonds; original amount was \$8,290,000; yield to maturity varies from 2.00% to 4.00%; maturity date is May 15, 2026.

The following is a summary of bonds and note payable transactions of the District for the year ended June 30, 2010:

	<u>Balance</u> <u>07/01/09</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>06/30/10</u>
11/01/91				
Series AA	\$ 620,000	\$ 0	\$ 620,000	\$ 0
02/15/06	6,090,000	0	580,000	5,510,000
05/21/08	600,000	0	50,000	550,000
06/15/08	8,420,000	0	40,000	8,380,000
07/15/08 A	4,000,000	0	0	4,000,000
07/15/08 AA	4,345,000	0	5,000	4,340,000
11/15/09	0	8,650,000	0	8,650,000
06/09/10	0	8,290,000	0	8,290,000
Total	<u>\$24,075,000</u>	<u>\$16,940,000</u>	<u>\$ 1,295,000</u>	<u>\$39,720,000</u>
	=====	=====	=====	=====

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2011	\$ 1,335,000	\$ 1,506,361	\$ 2,841,361
2011-2012	1,380,000	1,485,429	2,865,429
2012-2013	1,415,000	1,441,023	2,856,023
2013-2014	1,475,000	1,393,285	2,868,285
2014-2015	1,510,000	1,360,691	2,870,691
2015-2016	1,560,000	1,317,902	2,877,902
2016-2017	1,610,000	1,266,403	2,876,403
2017-2018	1,670,000	1,211,843	2,881,843
2018-2019	1,645,000	1,151,778	2,796,778
2019-2020	1,705,000	1,090,915	2,795,915
2020-2021	1,770,000	1,029,079	2,799,079
2021-2022	1,845,000	961,935	2,806,935
2022-2023	1,920,000	890,239	2,810,239
2023-2024	2,000,000	814,165	2,814,165
2024-2025	2,085,000	733,936	2,818,936
2025-2026	1,965,000	652,575	2,617,575
2026-2027	10,000	573,939	583,939
2027-2028	10,000	573,503	583,503
2028-2029	1,825,000	573,066	2,398,066
2029-2030	1,910,000	493,485	2,403,485
2030-2031	2,005,000	408,635	2,413,635
2031-2032	2,100,000	319,565	2,419,565
2032-2033	2,210,000	225,065	2,435,065
2033-2034	1,345,000	125,615	1,470,615
2034-2035	<u>1,415,000</u>	<u>65,090</u>	<u>1,480,090</u>
Total	<u>\$39,720,000</u>	<u>\$21,665,522</u>	<u>\$61,385,522</u>
	=====	=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 9 Retirement Plan (Continued)

percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of their qualifying compensation. Members joining the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.5 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Contributions required of employers are based upon an actuarial valuation. For the year ended June 30, 2010, the rate of employer's contribution was 4.78 percent of covered payroll. The 4.78 percent rate is composed of a pension contribution rate of 4.00 percent for pension benefits and .78 percent for healthcare insurance premium assistance. The District's contribution to the System for the year ended June 30, 2010 was \$658,732.

NOTE 10 Litigation

Various claims and lawsuits are pending against the District. Defenses are being conducted by counsel for the District or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the District's financial statements.

NOTE 11 Contingencies

The District participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended June 30, 2010 have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 12 Deficit Fund Equity, Expenditures and Appropriations

The Athletics Fund of the District has a deficit net assets at June 30, 2010. Additionally, for the year ended June 30, 2010, no funds had an excess of expenditures over appropriations.

NOTE 13 Joint Ventures

The District is a participating member of the Lehigh Career and Technical Institute (the Institute). The Institute is governed by a joint board consisting of school directors from

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2010

NOTE 13 Joint Ventures (Continued)

each member district. The board of directors from each member district must approve the Institute's annual operating budget. Each member district participates in the operating, capital, debt service and other costs of the Institute based on the number of students attending the Institute from each district. For the year ended June 30, 2010, the District's share was \$756,572. The Institute issues separate financial statements which are available to the public.

The District also participates with the Lehigh Carbon Community College (the College) and the Carbon Lehigh Intermediate Unit (the Unit). The District's involvement is limited to District member representatives serving on committees of the Boards of the College and the Unit as well as approving their annual budgets. The District shares in the operating, capital and other costs of the College and Unit, which amounted to \$233,222 and \$356,602 respectively, for the year ended June 30, 2010. The College and the Unit issue separate financial statements which are available to the public.

NOTE 14 Risk Management

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverages. Settlement amounts have not exceeded insurance coverages for the current year or the three prior years.

SALISBURY TOWNSHIP SCHOOL DISTRICT
POSTEMPLOYMENT BENEFIT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

(An Integral Part of the Financial Statements)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL, as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/2008	\$ 0	\$ 7,367,687	\$ 7,367,687	0.0%	Not Available	N/A

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Program Title</u>	<u>Source</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Program or Award Amount</u>
Passed through the PA					
Dept. of Education:					
National School Lunch Program	I	10.555	N/A	7/1/09-6/30/10	N/A
National School Lunch Program	I	N/A	N/A	7/1/09-6/30/10	N/A
National School Lunch Program	I	10.555	N/A	7/1/08-6/30/09	N/A
National School Lunch Program	I	N/A	N/A	7/1/08-6/30/09	N/A
Passed through the PA					
Dept. of Agriculture:					
Value of USDA					
Donated Food	I	10.550	N/A	7/1/09-6/30/10	N/A
Total U.S. Dept. of Agriculture					
<u>U.S. Dept. of Education</u>					
Passed through the PA					
Dept. of Education:					
Title I Improve Basic Pr.	I	84.010	13-100370	7/1/09-6/30/10	\$ 240,207
Title I Improve Basic Pr.	I	84.010	13-090370	7/1/08-6/30/09	\$ 240,656
I.D.E.A.	D	84.027	62-100021	7/1/09-6/30/10	\$ 330,547
I.D.E.A.	D	84.027	N/A	7/1/08-6/30/09	\$ 311,710
Title III LEP	I	84.365	10-100370	7/1/09-6/30/10	\$ 16,913
Title III LEP	I	84.365	10-090370	7/1/08-6/30/09	\$ 14,060
Title III LEP	I	84.365	10-080370	7/1/07-6/30/08	\$ 24,582
Title II Improve Teach	I	84.367	20-100370	7/1/09-6/30/10	\$ 76,545
Title II Improve Teach.	I	84.367	20-090370	7/1/08-6/30/09	\$ 72,268
ARRA Title I Part A	I	84.389	127-100370	7/1/09-6/30/10	\$ 132,375
ARRA IDEA Part B	D	84.391	128-100021	7/1/09-9/30/11	\$ 427,641
ARRA Fiscal Stabilization	I	84.394	126-100370	7/1/09-6/30/10	\$ 263,767
Total U.S. Dept. of Education					
<u>U.S. Dept. of Health and Human Services</u>					
Passed through the PA					
Dept. of Public Welfare:					
Medical Assistance	D	93.778	44-007370	7/1/09-6/30/10	\$ 14,523
Total U.S. Dept. of Health and Human Services					

Total Federal Assistance

Source Codes: I - Indirect Funding F - Federal Share
D - Direct Funding S - State Share

Footnotes:

- (a) Total amount of commodities received.
- (b) Beginning inventory at July 1.
- (c) Total amount of commodities used.
- (d) Ending inventory June 30.

See notes to the Schedule of Expenditures of Federal Awards.

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2010

	<u>Total</u> <u>Received</u> <u>for the Year</u>	<u>Accrued or</u> <u>(Deferred)</u> <u>Revenue at</u> <u>7/1/09</u>	<u>Revenue</u> <u>Recognized</u>	<u>Expenditures</u>	<u>Accrued or</u> <u>(Deferred)</u> <u>Revenue at</u> <u>6/30/10</u>
F \$	118,509.78	\$ 0.00	\$ 126,928.45	\$ 126,928.45	\$ 8,418.67
S	12,435.90	0.00	13,278.10	13,278.10	842.20
F	5,413.75	5,413.75	0.00	0.00	0.00
S	644.00	644.00	0.00	0.00	0.00

(a)	(b)	(c)	(d)
<u>36,714.75</u>	<u>(8,329.94)</u>	<u>37,138.97</u>	<u>37,138.97</u>
<u>\$ 173,718.18</u>	<u>\$ (2,272.19)</u>	<u>\$ 177,345.52</u>	<u>\$ 177,345.52</u>
			<u>(7,905.72)</u>
			<u>\$ 1,355.15</u>

\$ 128,134.40	\$ 0.00	\$ 160,849.68	\$ 160,849.68	\$ 32,715.28
50,167.48	47,452.48	2,715.00	2,715.00	0.00
247,910.25	0.00	330,547.00	330,547.00	82,636.75
71,927.50	71,927.50	0.00	0.00	0.00
4,612.65	0.00	9,679.97	9,679.97	5,067.32
9,038.55	9,038.55	0.00	0.00	0.00
5,267.54	5,267.54	0.00	0.00	0.00
56,133.00	0.00	74,041.81	74,041.81	17,908.81
14,454.00	14,454.00	0.00	0.00	0.00
85,654.36	0.00	95,689.06	95,689.06	10,034.70
131,952.30	0.00	231,921.73	231,921.73	99,969.43
<u>131,883.48</u>	<u>0.00</u>	<u>263,767.00</u>	<u>263,767.00</u>	<u>131,883.52</u>
<u>\$ 937,135.51</u>	<u>\$148,140.07</u>	<u>1,169,211.25</u>	<u>1,169,211.25</u>	<u>\$ 380,215.81</u>

<u>\$ 10,399.51</u>	<u>\$ 1,959.05</u>	<u>\$ 14,523.24</u>	<u>\$ 14,523.24</u>	<u>\$ 6,082.78</u>
<u>\$ 10,399.51</u>	<u>\$ 1,959.05</u>	<u>\$ 14,523.24</u>	<u>\$ 14,523.24</u>	<u>\$ 6,082.78</u>

\$1,121,253.20	\$147,826.93	\$1,361,080.01	\$1,361,080.01	\$ 387,653.74
=====	=====	=====	=====	=====

Total expenditures per above schedule	\$1,361,080.01
Less: State share of National School Lunch Program	<u>(13,278.10)</u>
Total Federal Expenditures	<u>\$1,347,801.91</u>
	=====

Programs selected for testing:

I.D.E.A.	\$ 330,547.00
ARRA Fiscal Stabilization	263,767.00
ARRA I.D.E.A. Part B	<u>231,921.73</u>
	<u>\$ 826,235.73</u>
	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010

NOTE 1 Summary of Significant Accounting Policies

Basis of Accounting

The revenues and expenditures recognized on this schedule are recorded on the accrual basis of accounting.

Inventory

It is the policy of Salisbury Township School District to expense the value of all donated commodities used during the year. Recognition is given to inventories of donated goods on hand at year end on this schedule.

NOTE 2 Federal Revenue Summary

The following is a summary of federal revenue by CFDA number:

10.550	\$ 37,138.97
10.555	126,928.45
84.010	163,564.68
84.027	330,547.00
84.365	9,679.97
84.367	74,041.81
84.389	95,689.06
84.391	231,921.73
84.394	263,767.00
93.778	<u>14,523.24</u>
Total	\$1,347,801.91
	=====

NOTE 3 Schedule Presentation

The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	NO
Reportable condition(s) identified not considered to be material weaknesses?	NONE
Noncompliance material to financial statements noted?	NO

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	NO
Reportable condition(s) identified not considered to be material weaknesses?	NONE
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)?	NO

Major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.027	Grants to States (IDEA, Part B)
84.391	Grants to States (IDEA, Part B), Recovery Act
84.394	State Fiscal Stabilization Fund, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000 =====
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Auditee qualified as a low risk auditee?	YES
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SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF PRIOR AUDIT FINDINGS

NONE

FRANCE, ANDERSON, BASILE and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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

To the Board of School Directors
Salisbury Township School District
Allentown, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management of Salisbury Township School District, 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.

France, Anderson, Bunker and Company, P.C.

Emmaus, Pennsylvania
January 14, 2011

FRANCE, ANDERSON, BASILE and COMPANY, P.C.
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INDEPENDENT AUDITORS' 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

To the Board of Directors
Salisbury Township School District
Allentown, Pennsylvania

Compliance

We have audited Salisbury Township School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Salisbury Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Salisbury Township School District's management. Our responsibility is to express an opinion on Salisbury Township School District's compliance based on our audit.

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

In our opinion, Salisbury Township School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Board of Directors and management of Salisbury Township School District, 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.

Truice, Anderson, Bunkle and Company, P.C.
Emmaus, Pennsylvania
January 14, 2011

SALISBURY TOWNSHIP SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Capital Reserve</u>	<u>Athletic</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 398,346	\$ 954	\$ 399,300
Intergovernmental receivables	0	16	16
Total Assets	\$ 398,346	\$ 970	\$ 399,316
	=====	=====	=====
<u>LIABILITIES</u>			
Due to other funds	\$ 0	\$ 15,990	\$ 15,990
Accrued salaries and benefits	0	293	293
Total Liabilities	0	16,283	16,283
	=====	=====	=====
<u>FUND BALANCES</u>			
Fund Balances:			
Reserved for capital projects	398,346	0	398,346
Reserved for athletics	0	(15,313)	(15,313)
Total Fund Balances	398,346	(15,313)	383,033
	=====	=====	=====
Total Liabilities and Fund Balances	\$ 398,346	\$ 970	\$ 399,316
	=====	=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>Capital Reserve</u>	<u>Athletic</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Local sources	\$ 12,299	\$ 23,318	\$ 35,617
State sources	0	12,798	12,798
Federal sources	0	0	0
Total revenues	<u>12,299</u>	<u>36,116</u>	<u>48,415</u>
EXPENDITURES			
Noninstructional services	0	469,671	469,671
Capital outlay	28,244	0	28,244
Debt service	60,550	0	60,550
Total expenditures	<u>88,794</u>	<u>469,671</u>	<u>558,465</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(76,495)</u>	<u>(433,555)</u>	<u>(510,050)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	63,657	402,200	465,857
Transfers out	0	0	0
Total other financing sources (uses)	<u>63,657</u>	<u>402,200</u>	<u>465,857</u>
Net change in fund balances	<u>(12,838)</u>	<u>(31,355)</u>	<u>(44,193)</u>
Fund Balances, July 1	<u>411,184</u>	<u>16,042</u>	<u>427,226</u>
Fund Balances, June 30	<u>\$ 398,346</u>	<u>\$ (15,313)</u>	<u>\$ 383,033</u>

SALISBURY TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -
ACTIVITY FUND ACCOUNTS
YEAR ENDED JUNE 30, 2010

<u>HIGH SCHOOL:</u>	<u>Balance</u> <u>7/01/09</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/10</u>
Baseball	\$ 740	\$ 2,881	\$ 3,183	\$ 438
Basketball - Girls	13	0	0	13
Business Club (FBLA)	5	1,770	1,472	303
Cheerleaders - Senior	532	4	503	33
Class of 2009	2,693	0	2,693	0
Class of 2010	9,605	20,108	27,661	2,052
Class of 2011	24,377	10,657	5,089	29,945
Class of 2012	2,766	1,585	1,186	3,165
Class of 2013	0	25,124	22,205	2,919
Cross Country	25	0	0	25
Drama Club	874	11,025	9,671	2,228
Field Hockey	403	2,353	2,398	358
Glee Club	23	0	0	23
Golf	194	2	55	141
High School Activity	7,121	603	0	7,724
Key Club	1,707	6,139	7,010	836
Model	0	1,843	342	1,501
Music Department	29	0	0	29
National Honor Society	354	4	80	278
Newspaper Club	1,638	15	21	1,632
Rifle Club	72	0	0	72
Soccer	3,804	16,573	14,450	5,927
Softball	1,106	4,275	4,429	952
Stand Tall	647	358	328	677
Student Council	573	3,140	2,623	1,090
Student Store	1,069	1,506	1,851	724
Tennis	869	310	0	1,179
Track & Field	546	5	546	5
Wrestling	1,201	9	437	773
Yearbook	4,748	21,390	25,904	234
Total High School	<u>67,734</u>	<u>131,679</u>	<u>134,137</u>	<u>65,276</u>
<u>MIDDLE SCHOOL:</u>				
After School	4,809	3,595	577	7,827
Chorus	931	41,863	42,304	490
Eighth Grade	3,178	43,176	42,332	4,022
Field Hockey	707	2,774	3,162	319
Girls Softball	539	5	325	219
Interact	9	0	0	9
Middle School Activity	2,854	19,117	18,005	3,966
Prosper Project	2,874	2,239	4,764	349
School Store	903	996	742	1,157
Seventh Grade	4,575	6,864	7,695	3,744
Sixth Grade	4,657	104,884	105,192	4,349
Ski Club	405	10,610	10,606	409
Student Council	3,620	456	592	3,484
Swimming	937	9	0	946
Yearbook	436	8,414	8,850	0
Total Middle School	<u>31,434</u>	<u>245,002</u>	<u>245,146</u>	<u>31,290</u>
Truman Elementary	1,848	4,470	4,045	2,273
Western Elementary	6,836	2,759	8,984	611
Interest	100	0	518	(418)
TOTAL	<u>\$107,952</u>	<u>\$ 383,910</u>	<u>\$ 392,830</u>	<u>\$ 99,032</u>
	=====	=====	=====	=====