

## PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2014

### NEW ISSUE-BOOK-ENTRY

**RATINGS: S&P: \_\_\_\_ (Insured)**  
**S&P: \_\_\_\_ (Underlying)**  
**(See Ratings herein)**

*In the opinion of Bond Counsel, assuming compliance by the Issuer with certain covenants and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations thereunder, interest on and accruals of original issue discount with respect to the Bonds are excluded from gross income for federal income tax purposes under existing law, as currently enacted and construed, and are not items of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest and accruals of original issue discount are taken into account in determining adjusted current earnings for the purpose of the alternative minimum tax. This opinion of Bond Counsel is subject to continuing compliance by the Issuer with its covenants to comply with requirements of the Code and applicable regulations thereunder.*

*The Bonds have been designated or deemed designated, by the Issuer as "qualified tax-exempt obligations," for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (concerning interest expenses relating to tax-exempt income of certain financial institutions).*

*The Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania's Corporate Net Income Tax and from its Personal Income Tax, or by any of its political subdivisions, under present statutory and case law (For further information concerning federal and state tax matters relating to the Bonds, see "TAX MATTERS" herein).*

## \$9,995,000\*

### Halifax Area School District Dauphin County, Pennsylvania General Obligation Bonds, Series of 2014

**Dated:** December 11, 2014

**Interest Due:** March 1 and September 1

**Principal Due:** September 1, as shown on inside cover

**First Interest Payment:** March 1, 2015

The General Obligation Bonds, Series of 2014, in the aggregate principal amount of \$9,995,000\* (the "Bonds") will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry only system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Halifax Area School District, Dauphin County, Pennsylvania (the "School District") payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District pledged its full faith, credit and taxing power, within the limits provided by law (*But see "Security" and "Taxpayer Relief Act" herein*).

Interest on each of the Bonds is payable initially on March 1, 2015 and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond. The School District has appointed Manufacturers and Traders Trust Company (the "Paying Agent"), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of, redemption premium, if any, and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the book-entry only system for the Bonds is ever discontinued, the principal of and redemption premium, if any, on each of the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office presently located in Harrisburg, Pennsylvania (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

**The Bonds are subject to redemption prior to maturity as described herein.**

Proceeds of the Bonds will be used towards additions, alterations and/or renovations to: (1) Halifax Area Middle School, (2) Halifax Area High School, (3) other public school facilities; and (4) pay the costs of issuing and insuring the Bonds.

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by \_\_\_\_\_.

### MATURITIES, AMOUNTS, RATES AND YIELDS (As shown on Inside Front Cover)

The Bonds are offered when, as and if issued, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, of Harrisburg, Pennsylvania, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the School District by Caldwell & Kearns, P.C., of Harrisburg, Pennsylvania, School District Solicitor. Public Financial Management, Inc., Harrisburg, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC in New York, New York, on or about December 11, 2014.

### PUBLIC FINANCIAL MANAGEMENT, INC. Financial Advisor to the School District

**Dated:** \_\_\_\_\_

\*Estimated, subject to change.

**\$9,995,000\***  
**Halifax Area School District**  
**Dauphin County, Pennsylvania**  
**General Obligation Bonds, Series of 2014**

**Dated:** December 11, 2014  
**Interest Due:** March 1 and September 1

**Principal Due:** September 1, as shown below  
**First Interest Payment:** March 1, 2015

**MATURITIES, AMOUNTS, RATES AND YIELDS**

<u>Sept. 1</u>	<u>Amounts</u>	<u>Rates</u>	<u>Yields</u>
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			

(The Bonds may be structured as Term Bonds. See "Invitation to Bid")

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\*Estimated, subject to change.

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# HALIFAX AREA SCHOOL DISTRICT

Dauphin County, Pennsylvania

## BOARD OF SCHOOL DIRECTORS

---

Hara Frank.....	President
Donna M. Rode .....	Vice President
Gary A. Shade .....	Treasurer
Scott A. Corsnitz .....	Member
Larry E. Cox, Jr. ....	Member
Ricky D. Grosser .....	Member
Melissa J. Konyar .....	Member
Jason T. Sweigard.....	Member
Trudy Withers .....	Member

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## SUPERINTENDENT

DR. MICHELE ORNER

## BUSINESS MANAGER/SECRETARY

MICHAEL L. BOWER

## SCHOOL DISTRICT SOLICITOR

CALDWELL & KEARNS, P.C.

Harrisburg, Pennsylvania

## BOND COUNSEL

ECKERT SEAMANS CHERIN & MELLOTT, LLC

Harrisburg, Pennsylvania

## FINANCIAL ADVISOR

PUBLIC FINANCIAL MANAGEMENT, INC.

Harrisburg, Pennsylvania

## PAYING AGENT

MANUFACTURERS TRADERS & TRUST COMPANY

Buffalo, New York and Harrisburg, Pennsylvania

## SCHOOL DISTRICT ADDRESS

3490 Peters Mountain Road

Halifax, Pennsylvania 17032

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof. The Underwriter has reviewed the information in this Preliminary Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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# PRELIMINARY OFFICIAL STATEMENT

**\$9,995,000\***

## **Halifax Area School District Dauphin County, Pennsylvania General Obligation Bonds, Series of 2014**

### INTRODUCTION

This Preliminary Official Statement, including the cover page hereof and the Appendices hereto, is furnished by Halifax Area School District, Dauphin County, Pennsylvania (the "School District") in connection with the offering of \$9,995,000\* aggregate principal amount of its General Obligation Bonds, Series of 2014 (the "Bonds"), dated as of December 11, 2014. The Bonds are being issued pursuant to a Resolution of the Board of School Directors of the School District adopted on October 14, 2014 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania [53 Pa. C.S.A. §8001 *et seq.*] (the "Act").

### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used towards additions, alterations and/or renovations to: (1) Halifax Area Middle School, (2) Halifax Area High School, (3) other public school facilities; and (4) pay the costs of issuing and insuring the Bonds.

### Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

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#### **SOURCES OF FUNDS:**

Bond Proceeds.....	
Original Issue Premium .....	
<b><i>TOTAL SOURCES OF FUNDS</i></b> .....	<b>=====</b>

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#### **USES OF FUNDS:**

Deposit to Project Account.....	
Cost of Issuance <sup>(1)</sup> .....	
<b><i>TOTAL USES OF FUNDS</i></b> .....	<b>=====</b>

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<sup>(1)</sup>Includes legal, financial advisor, municipal bond insurance (if applicable), printing, rating, total bond discount, paying agent and miscellaneous costs.

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\*Estimated, subject to change.

## THE BONDS

### Description

The Bonds will be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$9,995,000\*, will be dated as of December 11, 2014 and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover of this Preliminary Official Statement. Interest on the Bonds will be payable initially on March 1, 2015, and thereafter, semiannually on March 1 and September 1, until the principal sum is paid.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of Bonds certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "BOOK – ENTRY ONLY SYSTEM" herein.

### Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation, and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the School District, within the limits provided by law (See "The Taxpayer Relief Act" herein). The Taxpayer Relief Act presently provides for enforcement of debt service payments as hereinafter described (see "Defaults and Remedies" herein), and the Public School Code presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see "Commonwealth Enforcement of Debt Service Payments" herein).

### Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bond, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, Bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal, redemption premium, if any, and interest on the Bonds shall be made as described in the following paragraphs.

The principal of the Bonds, when due upon maturity or redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its corporate trust office in Harrisburg, Pennsylvania (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding March 1, 2015, in which event such Bond shall bear interest from December 11, 2014, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially on March 1, 2015, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15) day (whether or not a day on which the Paying Agent is open for business) of the month next preceding the applicable interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than ten (10) days preceding such special record date.

If the date for payment of the principal of, premium, if any, or interest on such Bond shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the municipality where the principal corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or on a day on which such banking institutions are authorized to close (a "Business Day"), and payment on such subsequent Business Day shall have the same force and effect as if made on the nominal date established for such payment.

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\*Estimated, subject to change.



## **Transfer, Exchange and Registration of Bonds**

Subject to the provisions described below under “Book-Entry Only System,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its principal corporate trust office duly endorsed by, or accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his duly authorized agent or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

The School District and the Paying Agent shall not be required to issue, or register the transfer or exchange of, any Bond during the period of fifteen (15) business days before any interest payment date and ending at the close of business on such Interest Payment Date. Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity and interest rate.

## **Commonwealth Enforcement of Debt Service Payments**

Section 633 of the Public School Code presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness at date of maturity or date of mandatory redemption, or any interest due on such indebtedness on any interest payment date, in accordance with the schedule under which the bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth of Pennsylvania (the “Commonwealth”) appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

There can be no assurance, however, that any payments pursuant to this provision will be made by the date on which such payments are due to the Bondholders.

The effectiveness of Section 633 may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries and unpaid charter school tuition. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

## **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated "Halifax Area School District, Series of 2014 Bonds Sinking Fund" (the "Sinking Fund"), has been created under the Resolution and is maintained by the Paying Agent as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

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## BOOK-ENTRY ONLY SYSTEM

*The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.*

The Depository Trust Company ("DTC"), New York, NY, will act as bonds depository for the bonds (the "Bonds"). The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both, U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.*

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## REDEMPTION OF BONDS

### Mandatory Redemption

Bidders may elect to structure the issue to include term Bonds, which term Bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid (subject to adjustment as permitted therein), upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

### Optional Redemption

The Bonds stated to mature on or after September 1, 2020, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on March 1, 2020, or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

### Manner of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made to Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all Bonds of any particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner in such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.*

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of the same maturity and in authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth or in the city where the designated corporate trust office of the Paying Agent is located are authorized or required by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

### Notice of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices to Beneficial Owners.*

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of any Bonds with respect to which no such failure or defect occurred.

On the date designated for redemption and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption. Any notice of redemption of Bonds may state that the redemption is conditioned upon the deposit of sufficient funds prior to the redemption date. If sufficient funds are not received, such notice of redemption shall be of no effect.

If at time of mailing of a notice of redemption the School District shall not have deposited with the Paying Agent, as sinking fund depository, money sufficient to redeem all Bonds or portions thereof called for redemption, the notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such money is so deposited.

## THE SCHOOL DISTRICT

### Administration

The School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth").

The School District became effective July 1, 1964 and merely changed the jointure type organization to a single operative unit with a nine-member board of directors (the "School Board"), elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Manager is responsible for budget and financial operations. Both of these officials are appointed by the School Board.

### School Facilities

The School District presently operates two elementary schools, a middle school and a senior high school. The following table describes the School District facilities. Students in grades 9-12 also may attend the Dauphin County Technical School.

**TABLE 1**  
**HALIFAX AREA SCHOOL DISTRICT FACILITIES**

<b>Building</b>	<b>Original Construction Date</b>	<b>Addition/ Renovation Date(s)</b>	<b>Grades</b>	<b>Rated Pupil Capacity</b>	<b>2014-15 Enrollment<sup>(1)</sup></b>
<i><b>Elementary:</b></i>					
Enders-Fisherville Elementary.....	1958	1988/2001	Pre-K-1	250	181
Halifax Elementary .....	1968	1988	2-5	475	324
<i><b>Secondary:</b></i>					
Halifax Area Middle/High School .....	1958	1968/1979 1987/1998	6-12	1,001	566

<sup>(1)</sup>As of October 1, 2014.

Source: School District Officials.

### Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next five years, as prepared by the School District's administrative officials.

**TABLE 2**  
**HALIFAX AREA SCHOOL DISTRICT ENROLLMENT TRENDS**

<b>Actual Enrollments</b>				<b>Projected Enrollments</b>			
<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>	<b>School Year</b>	<b>Elementary</b>	<b>Secondary</b>	<b>Total</b>
2010-11	619	593	1,212	2015-16	590	520	1,110
2011-12	649	538	1,187	2016-17	602	523	1,125
2012-13	625	517	1,142	2017-18	610	528	1,138
2013-14	612	499	1,111	2018-19	620	530	1,150
2014-15 <sup>(1)</sup>	582	516	1,098	2019-20	625	532	1,157

<sup>(1)</sup>As of October 1, 2014.

Source: School District Officials, based on current projections.

## SCHOOL DISTRICT FINANCES

### Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1.

### Financial Reporting

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District keeps its books and prepares its financial reports according to a modified accrual basis of accounting. Major accrual items are payroll, taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. The School District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The School District does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The School District's financial statements are audited by a firm of independent certified public accountants, as required by State law. The firm of Jones & Co., Certified Public Accountants, of Pottsville, Pennsylvania, currently serves as School District Auditor.

### Changes to the Budgeting Process of Pennsylvania School Districts under the Taxpayer Relief Act

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt such budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (for a description of the Index, *see* "**The Taxpayer Relief Act**" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (*see* "**The Taxpayer Relief Act**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the school district must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the school district must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the school district of its decision no later than 55 days prior to the upcoming election. Such Taxpayer Relief Act provides that the court in approving the petition shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception and the appropriate duration of the tax increase. If the court denies the school district's petition, such Taxpayer Relief Act permits the school district to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution. The School District adopted such Resolution at its regular meeting January 8, 2013.

## Summary and Discussion of Financial Results

A summary of the General Fund balance sheet and changes in fund balances are presented in Tables 3 and 4. Table 5 shows revenue and expenditures for the past 4 years, estimated 2013-14 and budgeted 2014-15. The budget for the 2014-15 school year, adopted on June 12, 2014, projected \$17,792,794 in revenue and expenditures of \$17,705,697.

**TABLE 3**  
**HALIFAX AREA SCHOOL DISTRICT**  
**SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET**

<b>ASSETS</b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Cash and Cash Equivalents.....	\$2,001,614	\$2,065,383	\$2,902,947	\$3,819,415	\$5,058,749
Taxes Receivable.....	1,064,899	968,811	832,636	973,834	988,144
Due from Other Funds.....	101,721	25,700	13,784	94,086	169,271
Due from Other Governments.....	121,426	1,044,488	937,389	529,442	625,656
Due From Primary Governments.....	407,591	24,335	0	0	0
Other Receivables (Include Bond Proceeds Receivable).....	21,094	58,467	8,578	31,204	28,628
Inventories.....	0	0	48,987	15,145	9,856
Prepaid Expenses/Expenditures.....	0	198,732	0	0	0
<b><i>TOTAL ASSETS</i></b> .....	<b><u>\$3,718,345</u></b>	<b><u>\$4,385,916</u></b>	<b><u>\$4,744,321</u></b>	<b><u>\$5,463,126</u></b>	<b><u>\$6,880,304</u></b>
<b>LIABILITIES</b>					
Due to Other Funds.....	\$18,085	\$28,537	\$76,047	\$96,898	\$63,533
Due to Other Governments.....	192,125	0	160,614	137,276	234,281
Accounts Payable.....	487,991	376,418	239,908	215,632	305,437
Short-Term Payables.....	0	187,958	0	0	0
Accrued Salaries and Benefits.....	1,166,141	1,438,335	1,599,742	1,410,757	1,452,003
Deferred Revenues.....	618,881	580,318	570,689	621,096	640,103
Other.....	0	0	0	0	0
<b><i>TOTAL LIABILITIES</i></b> .....	<b><u>\$2,483,223</u></b>	<b><u>\$2,611,566</u></b>	<b><u>\$2,647,000</u></b>	<b><u>\$2,481,659</u></b>	<b><u>\$2,695,357</u></b>
<b>FUND EQUITIES</b>					
Non-Spendable Fund Balance.....	\$0	\$0	\$48,987	\$15,145	\$9,855
Committed Fund Balance.....	661,120	492,804	497,514	1,017,814	2,180,744
Unassigned Fund Balance.....	574,002	1,281,546	1,550,820	1,948,508	1,994,348
<b><i>TOTAL FUND EQUITIES</i></b> .....	<b><u>\$1,235,122</u></b>	<b><u>\$1,774,350</u></b>	<b><u>\$2,097,321</u></b>	<b><u>\$2,981,467</u></b>	<b><u>\$4,184,947</u></b>
<b><i>TOTAL LIABILITIES</i></b> <b><i>AND FUND EQUITIES</i></b> .....	<b><u>\$3,718,345</u></b>	<b><u>\$4,385,916</u></b>	<b><u>\$4,744,321</u></b>	<b><u>\$5,463,126</u></b>	<b><u>\$6,880,304</u></b>

Source: School District Annual Financial Reports.

**TABLE 4**  
**HALIFAX AREA SCHOOL DISTRICT GENERAL FUND**  
**SUMMARY OF CHANGES IN FUND BALANCE\***

	<b>Actual</b>				<b>Estimated</b>	<b>Budgeted</b>
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014<sup>(1)</sup></u></b>	<b><u>2015<sup>(2)</sup></u></b>
<b>Beginning Fund Balance .....</b>	\$1,235,122	\$1,774,348	\$2,097,319	\$2,981,465	\$4,184,943	\$4,272,040
Revenues over (under) Expenditure..	539,226	249,671	884,147	1,203,478	87,097	(833,182)
Prior Period Adjustments.....	0	73,299	0	0	0	0
<b>Ending Fund Balance .....</b>	<b><u>\$1,774,348</u></b>	<b><u>\$2,097,319</u></b>	<b><u>\$2,981,465</u></b>	<b><u>\$4,184,943</u></b>	<b><u>\$4,272,040</u></b>	<b><u>\$3,438,858</u></b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 12, 2014.

Source: School District Annual Financial Reports and Budget.

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## Revenue

The School District received \$17,792,794 in revenue in 2013-14 (estimated) and has budgeted for \$17,705,697 in 2013-14. Local sources increased as a share of total revenue in the past five years, from 47.8 percent in 2009-10 to 50.3 percent in 2013-14 (estimated). Revenue from State sources decreased as a share of total revenue at 49.8 percent to 48.1 percent over this period. Federal and other revenue decreased slightly as a share of total revenue from 2.3 percent to 2.2 percent over this period.

**TABLE 5**  
**HALIFAX AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**REVENUES\***  
**(Years Ending June 30)**

REVENUE:	Actual				Estimated	Budget
	2010	2011	2012	2013	2014 <sup>(1)</sup>	2015 <sup>(2)</sup>
<b>Local Sources:</b>						
Real Estate Taxes.....	\$5,326,684	\$5,790,121	\$6,079,999	\$6,100,290	\$6,131,272	\$5,982,104
Interim Real Estate Taxes.....	28,516	12,899	24,687	19,392	12,440	25,000
Public Utility Realty Tax.....	11,099	10,752	10,659	10,899	10,223	11,000
Payments in Lieu of Current Taxes.....	9,627	1,539	9,627	9,627	9,627	10,000
Current Per Capita taxes, Sec. 679.....	23,469	23,880	23,843	23,758	24,128	24,300
Act 511 Taxes.....	1,629,129	1,548,783	1,381,972	1,657,980	1,721,210	1,727,300
Delinquency on Taxes Levied.....	598,832	591,111	532,739	524,204	395,738	528,609
Earnings on Investments.....	46,403	28,485	12,940	6,640	6,146	19,450
Rev. from Student Activities.....	5,006	53,564	49,515	56,827	53,281	63,000
Rev. from Local Government Units.....	0	4,154	3,866	0	178,176	244,829
Federal Rev. Received from Other PA Public Schools....	401,400	27,045	0	0	0	0
Federal Rev. Received from Other						
Intermediate Sources.....	0	224,996	215,364	211,835	204,899	0
Rentals.....	2,421	2,837	2,250	1,350	2,193	2,500
Contributions and Donations from Private Sources.....	8,538	39,056	3,234	113	11,815	7,000
Receipts from Other LEAS in PA-Education.....	118,080	184,884	203,538	174,812	3,607	0
Federal ARRA IDEA Pass Through Revenue.....	0	123,819	0	0	0	0
All Other Services Provided Other						
Governments and LEAs.....	40,392	0	0	0	0	0
Tuition from Patrons.....	0	0	0	0	0	190,000
Refunds of Prior Years' Expenditures.....	3,671	(3,498)	0	0	2,216	0
All Other Local Revenues Not Specified.....	17,495	22,223	26,740	9,066	6,817	5,000
<b>Total Local Sources.....</b>	<b>\$8,270,763</b>	<b>\$8,686,650</b>	<b>\$8,580,971</b>	<b>\$8,806,793</b>	<b>\$8,773,788</b>	<b>\$8,840,092</b>
<b>State Sources:</b>						
Basic Instructional Subsidy.....	\$4,837,796	\$4,611,052	\$5,336,952	\$5,335,458	\$5,411,775	\$5,411,775
Charter Schools.....	65,534	49,384	0	0	0	0
Driver Education – Student.....	1,750	1,120	1,680	1,085	1,295	2,000
Special Education - Funding for School Aged Pupils.....	717,863	713,134	713,134	713,134	713,134	713,134
Educational Assistance Program (Tutoring).....	31,774	32,253	0	0	0	0
Pre-K Counts.....	158,625	193,111	190,938	176,550	147,125	176,500
Transportation.....	952,504	972,133	709,157	680,755	730,000	700,000
Rentals and Sinking Fund Payments.....	26,363	91,424	165,233	91,586	90,683	85,528
Health Services.....	22,472	22,009	21,848	21,281	20,410	21,000
PA Accountability Grant.....	227,554	213,387	83,837	83,837	83,837	83,837
State Property Tax Reduction Allocation.....	432,508	432,540	432,705	432,500	432,817	432,656
Migratory Children.....	0	16	0	0	0	0
Additional Grants not listed elsewhere.....	(2,222)	15,311	4,965	0	0	0
Revenue for Social Security.....	323,084	340,302	320,019	321,990	303,452	321,867
Revenue for Retirement.....	206,510	260,938	375,257	546,944	653,452	874,329
Other State Revenue.....	0	0	14,934	0	0	169,218
Classrooms for the Future.....	25,000	0	0	0	0	0
<b>Total State Sources.....</b>	<b>\$8,027,115</b>	<b>\$7,948,114</b>	<b>\$8,370,658</b>	<b>\$8,405,120</b>	<b>\$8,587,980</b>	<b>\$8,991,844</b>
<b>Federal Sources:</b>						
<b>Total Federal Sources.....</b>	<b>\$1,026,345</b>	<b>\$1,279,047</b>	<b>\$243,761</b>	<b>\$408,199</b>	<b>\$429,319</b>	<b>\$423,299</b>
<b>Other Sources:</b>						
<b>Total Other Sources.....</b>	<b>\$3,081,652</b>	<b>\$1,841</b>	<b>\$5,500</b>	<b>\$2,883</b>	<b>\$1,707</b>	<b>\$2,000</b>
<b>TOTAL REVENUE.....</b>	<b>\$20,405,875</b>	<b>\$17,915,652</b>	<b>\$17,200,891</b>	<b>\$17,622,994</b>	<b>\$17,792,794</b>	<b>\$18,257,235</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 12, 2014.

Source: School District Annual Financial Reports and Budget.

**TABLE 5**  
**(continued)**  
**HALIFAX AREA SCHOOL DISTRICT**  
**SUMMARY OF SCHOOL DISTRICT GENERAL FUND**  
**EXPENDITURES\***  
**(Years Ending June 30)**

<b>EXPENDITURES:</b>	<b>Actual</b>				<b>Estimated</b>	<b>Budget</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014<sup>(1)</sup></b>	<b>2015<sup>(2)</sup></b>
Instruction .....	\$9,656,239	\$10,070,650	\$9,347,808	\$9,406,839	\$10,167,989	\$10,846,783
Pupil Personnel .....	721,370	765,822	714,607	712,785	107,327	828,905
Instructional Staff .....	510,498	513,333	313,592	315,501	754,170	335,433
Administration .....	1,175,835	1,238,147	1,139,322	1,155,166	1,217,975	1,293,505
Pupil Health .....	203,433	223,197	207,264	198,060	237,050	255,050
Business .....	404,116	420,286	436,742	426,919	473,662	507,280
Operation and Maintenance .....	1,375,856	1,428,852	1,315,962	1,325,761	1,642,992	1,549,053
Student Transportation .....	1,199,673	1,218,665	895,537	921,124	969,879	927,000
Central & Other Support Services .....	329,004	314,904	286,306	415,743	443,874	513,469
Operation of Non-instructional Services .....	107,632	411,266	353,614	350,700	378,227	402,334
Facilities Acq., Construction and Improvements .....	13,267	0	0	0	0	0
Debt Service .....	3,781,318	926,983	1,127,775	1,127,188	1,252,552	1,571,605
Fund Transfers .....	368,211	124,085	160,000	60,000	60,000	60,000
Refund of Prior Year Receipts .....	20,197	9,791	18,215	3,730	0	0
Budgetary Reserve .....	0	0	0	0	0	0
<b>TOTAL EXPENDITURES .....</b>	<b>\$19,866,649</b>	<b>\$17,665,981</b>	<b>\$16,316,744</b>	<b>\$16,419,516</b>	<b>\$17,705,697</b>	<b>\$19,090,417</b>
<b>SURPLUS (DEFICIT) OF REVENUES</b>						
<b>OVER EXPENDITURES .....</b>	<b>\$539,226</b>	<b>\$249,671</b>	<b>\$884,147</b>	<b>\$1,203,478</b>	<b>\$87,097</b>	<b>(\$833,182)</b>

\*Totals may not add due to rounding.

<sup>(1)</sup>Estimated, subject to change and final audit.

<sup>(2)</sup>Budget, as adopted June 12, 2014.

Source: School District Annual Financial Reports and Budget.

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## TAXING POWERS

### In General

*Subject to certain limitations imposed by the Taxpayer Relief Act, Act No. 1 of the Special Session of 2006, as amended (see “The Taxpayer Relief Act (Act 1)” herein), the School District is empowered by the School Code and other statutes to levy the following taxes:*

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a. for salaries and increments of the teaching and supervisory staff;
  - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
  - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended (“The Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### The Taxpayer Relief Act (Act 1)

Under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (“The Taxpayer Relief Act” or “Act 1”), a school district may not, in fiscal year 2007-2008 or in any subsequent fiscal year, levy any tax for the support of the public schools which was not levied in the 2006-2007 fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the current and prior fiscal years are as follows:

<u>Fiscal Year</u>	<u>Index %</u>
2015-16	2.6%
2014-15	2.8
2013-14	2.3
2012-13	2.3
2011-12	1.9

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was **NOT** approved by the voters.

A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in 2009 or any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

There can be no assurance; however, that approval will be given by the board of school directors to utilize a further referendum question to the voters in any future fiscal year or years.

#### **The Bonds are not "Grandfathered" under the Taxpayer Relief Act**

The Bonds were not authorized before the effective date of the Taxpayer Relief Act, therefore, the Bonds are not "Grandfathered" and the School District cannot be granted an exception to the Taxpayer Relief Act referendum requirement on the basis of the debt service due and payable on the Bonds if a tax increase greater than the Index is needed. The School District believes that it will include sufficient new tax millage in its 2014-15 budget to cover the full amount of the debt service on the Bonds without exceeding the 2014-15 Index.

#### **Limitation on Estimated Ending Unreserved Undesignated Fund Balances**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures</u>	<u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%*

"Estimated Ending Unreserved Undesignated Fund Balance" is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district. The School District's estimated ending unreserved undesignated fund balance as a percentage of total budgeted expenditures for the 2009-10 budget is shown on Page 11 herein under "Summary and Discussion of Financial Results".

\*Applies to the School District.

Table 6 which follows shows the recent trend of tax rates levied by the School District.

**TABLE 6  
HALIFAX AREA SCHOOL DISTRICT TAX RATES**

	<b>Real Estate (mills)</b>	<b>Per Capita (\$)</b>	<b>Real Estate Transfer (%)</b>	<b>Wage and Income (%)</b>	<b>Occupation (\$)</b>
2010-11.....	19.75	5.00	0.50	0.50	250.00
2011-12.....	20.45	5.00	0.50	0.50	250.00
2012-13.....	20.45	5.00	0.50	0.50	250.00
2013-14.....	20.45	5.00	0.50	0.50	250.00
2014-15.....	20.45	5.00	0.50	0.50	250.00

Source: School District Officials.

#### Tax Levy Trends

Table 7 which follows shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Dauphin County, and the townships and the boroughs within the School District.

**TABLE 7  
HALIFAX AREA SCHOOL DISTRICT  
COMPARATIVE REAL PROPERTY TAX RATES  
(Mills on Assessed Value)**

	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
<i>School District</i> .....	19.75000	20.45000	20.45000	20.45000	20.45000
Halifax Borough.....	2.05000	3.05000	3.52800	3.52800	3.52800
Halifax Township.....	0.42000	0.42000	0.93000	0.93000	0.93000
Jackson Township.....	0.22000	0.22000	0.22000	0.22000	0.22000
Wayne Township.....	0.51740	0.51740	0.51740	0.51740	0.51740
Dauphin County.....	6.87600	6.87600	6.87600	6.87600	6.87600

Source: School District Officials.

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## Real Property Tax

The real property tax (excluding delinquent collections) is anticipated to produce \$6,131,272 in 2013-14 (estimated), approximately 34.5 percent of total revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty. Beginning in 2007-08 fiscal year, eligible taxpayers could opt into the installment method of payment for their school taxes. Installment payments are based upon three (3) one-third payments of the base tax amount. The due date for installment payments is August 31, October 31, and December 31.

The following tables summarize recent trends of assessed and market valuations of real property and real property tax collection data. The last county-wide assessment in Dauphin County was conducted in 2001.

**TABLE 8  
HALIFAX AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA**

<b>Year</b>	<b>Market Value</b>	<b>Assessed Value</b>	<b>Common Level Ratio</b>
2009-10.....	\$463,220,000	\$326,570,100	70.50%
2010-11.....	406,833,942	334,176,200	82.14%
2011-12.....	411,931,726	335,846,500	81.53%
2012-13.....	428,369,733	335,744,000	78.38%
2013-14.....	426,917,326	336,297,600	78.77%

Source: Pennsylvania State Tax Equalization Board.

**TABLE 9  
HALIFAX AREA SCHOOL DISTRICT  
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY**

	<b>2012 Market Value</b>	<b>2012 Assessed Value</b>	<b>2013 Market Value</b>	<b>2013 Assessed Value</b>
<i>Halifax Area School District.....</i>	\$ 428,369,733	\$ 335,744,000	\$ 426,917,326	\$ 336,297,600
Halifax Borough .....	28,620,423	20,314,400	27,208,199	20,283,900
Halifax Township .....	212,410,113	164,357,900	212,509,548	164,759,800
Jackson Township.....	105,400,079	81,322,400	105,293,757	81,433,800
Wayne Township.....	81,939,119	69,749,300	81,905,822	69,820,100
Dauphin County.....	17,749,782,221	14,533,333,450	17,943,174,947	14,735,290,650

Source: Pennsylvania State Tax Equalization Board.

**TABLE 10  
HALIFAX AREA SCHOOL DISTRICT  
ASSESSMENT BY LAND USE**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Residential.....	\$210,937,300	\$225,410,000	\$219,200,100	\$220,486,700	\$229,749,900
Lots .....	9,287,700	8,529,100	9,571,600	10,592,000	9,460,300
Industrial .....	7,595,400	7,595,400	7,595,400	5,515,400	5,515,400
Commercial.....	35,387,800	37,207,300	33,982,500	35,360,100	28,658,400
Agriculture .....	52,246,300	52,826,900	54,041,600	49,168,000	48,410,100
Land .....	2,923,200	2,607,500	3,212,800	6,541,500	6,515,000
Seasonal .....	713,900	0	657,200	632,400	632,400
Trailers .....	7,478,500	0	7,585,300	7,447,900	7,356,100
<b>Total.....</b>	<b>\$326,570,100</b>	<b>\$334,176,200</b>	<b>\$335,846,500</b>	<b>\$335,744,000</b>	<b>\$336,297,600</b>

Source: Pennsylvania State Tax Equalization Board.

**TABLE 11**  
**HALIFAX AREA SCHOOL DISTRICT**  
**REAL PROPERTY TAX COLLECTION DATA**

<b>Year</b>	<b>Tax Levy</b>	<b>Current Year Collections (July-June)</b>	<b>Collections as Percent of Total Adjusted Flat Billing</b>	<b>Total Current Plus Delinquent Collections</b>	<b>Collections as Percent of Total Adjusted Flat Billing</b>
2010-11.....	\$6,655,522	\$5,790,121	93.96%	\$6,213,157	100.82%
2011-12.....	6,986,901	6,079,999	93.98%	6,435,547	99.48%
2012-13.....	6,966,738	6,497,328	100.72%	6,864,656	106.42%
2013-14.....	7,102,136	6,155,662	95.34%	6,441,193	99.76%
2014-15 (est.).....	7,099,593	4,340,455	*	4,444,299	*

\*As of October 15, 2015 (still in collection process).  
Source: School District Officials.

The ten largest real property taxpayers, together with their assessed values are shown on Table 12 which follows. The aggregate assessed value of these ten taxpayers totals approximately 5.3 percent of total assessed value.

**TABLE 12**  
**HALIFAX AREA SCHOOL DISTRICT**  
**TEN LARGEST REAL PROPERTY TAXPAYERS**

<b>Owner</b>	<b>Property</b>	<b>2014-15 Assessed Value*</b>
Camp Hebron Incorporated	Church Camp	\$ 3,050,100
Halifax Plaza Associates LP	Retail Plaza	2,766,900
Lenker Development Group	Residential Development	2,175,400
Oakridge	Manufacturing	2,022,800
Masser & Ballay Farms	Warehouse	1,888,400
Strohecker, Larry R. & Janet A.	Mobile Home Park	1,489,500
Farhat, Ismail H. & Garam I.	Residential Development	1,241,800
Fulkroad, Ricky A. & Rodney L.	Warehouse	1,203,200
Laudenslager, Karl W. & Nancy	Farming	1,093,200
Chubb, Donald L & Linda K	Residential Development	883,900
<b>Total</b>		<b>\$17,815,200</b>

\*As reported by the County, January 1, 2014.  
Source: School District Officials.

#### **Other Taxes**

Under Act 511, the School District anticipates collecting \$1,721,210 in other taxes in 2013-14 (estimated). Among the taxes authorized by Act 511, the School District currently levies the Earned Income Tax, Real Estate Transfer Tax, Per Capita Tax and Occupation Tax. The Act 511 limit, for 2011-12, equal to 12 mills on the market value of real property, should be \$5,123,008.

*Earned Income Tax.* The School District levies a tax of 1.00% (subject to sharing) on the earned income of residents. In 2013-14 (estimated) the collected portion of this tax expected to yield \$845,449 or 4.6 percent of total revenue.

*Real Estate Transfer Tax.* A tax of 1.00% (subject to sharing) of the value of real estate transfers is expected to yield \$83,422 in 2013-14 (estimated) or less than one percent of total revenue.

*Per Capita Tax.* A tax of \$10.00 (\$5.00 under Act 511 and \$5.00 under the School Code) on each resident over 18 years old is expected to yield \$48,313 in 2013-14 (estimated) or less than one percent of total revenue.

*Occupation Tax.* A tax of \$250.00 is levied on each resident working within the School District. In 2013-14 (estimated), the School District's collected portion of this tax is expected to yield \$782,620 or 4.3 percent of total revenue.

## State Aid to School Districts

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

A basic instructional subsidy is allocated to all school districts based on (1) the per pupil market value of assessable real property in the school district; (2) the per pupil earned income in the school district; and (3) the school district's tax effort, as compared with the tax effort of other school districts in the State. School districts also receive subsidies for special education, pupil transportation; vocational education, health service and debt service are also received by the school district.

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of debt service on the Bonds upon final approval of the Department of Education. Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Capital Account Reimbursement Fraction (CARF). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds. The School District officials have estimated that the "Reimbursable Percentage" of the Bonds will be a maximum of 33.35%. The School District CARF for the 2014-15 school year is currently 64.72%. The product of these two factors for the Bonds is 21.58%, which is the percentage of debt service which will be reimbursed by the Commonwealth. In future years, this percentage may change as the School District's CARF changes, or as a result of future legislation. CARF is a function of the market value per weighted average daily membership of the School District relative to that of other school districts of the Commonwealth.

## DEBT AND DEBT LIMITS

### Debt Statement

Table 13 which follows shows the debt of the School District as of October 15, 2014, including the issuance of the Bonds.

**TABLE 13**  
**HALIFAX AREA SCHOOL DISTRICT**  
**DEBT STATEMENT**  
**(As of October 15, 2014)\***

	<b>Gross Outstanding</b>
<b>NONELECTORAL DEBT</b>	
General Obligation Bonds, Series of 2014 (last maturity 2036) .....	\$9,995,000
General Obligation Bonds, Series of 2013 (last maturity 2036) .....	9,920,000
General Obligation Bonds, Series of 2010 (last maturity 2015) .....	845,000
General Obligation Bonds, Series of 2009 (last maturity 2015) .....	130,000
<b>TOTAL NONELECTORAL DEBT</b> .....	<b>\$20,890,000</b>
<b>LEASE RENTAL DEBT</b>	
<b>TOTAL LEASE RENTAL DEBT</b> .....	<b>\$ 0</b>
<b>TOTAL PRINCIPAL OF DIRECT DEBT</b> .....	<b>\$20,890,000</b>

\*Includes the estimated principal amount of the Bonds offered through this Preliminary Official Statement.



Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal of direct debt of the School District will total \$20,890,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$16,151,334.

**TABLE 14**  
**HALIFAX AREA SCHOOL DISTRICT**  
**BONDED INDEBTEDNESS AND DEBT RATIOS\***  
**(As of October 15, 2014)\***

	<b>Gross Outstanding</b>	<b>Local Effort or Net of Available Funds and Estimated State Aid<sup>(1)</sup></b>
<b>DIRECT DEBT</b>		
Nonelectoral Debt <sup>(1)</sup> .....	\$20,890,000	\$16,151,334
Lease Rental Debt .....	0	0
<b>TOTAL DIRECT DEBT</b> .....	<u>\$20,890,000</u>	<u>\$16,151,334</u>
<b>OVERLAPPING DEBT</b>		
Dauphin County, General Obligation <sup>(2)</sup> .....	\$11,360,695	\$11,360,695
Municipal Debt .....	180,000	180,000
<b>TOTAL OVERLAPPING DEBT</b> .....	<u>\$11,540,695</u>	<u>\$11,540,695</u>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b> .....	<u><u>\$32,430,695</u></u>	<u><u>\$27,692,029</u></u>
<b>DEBT RATIOS</b>		
Per Capita (2010) .....	\$4,263.83	\$3,640.81
Percent 2013-14 Assessed Value .....	9.64%	8.23%
Percent 2013-14 Market Value .....	7.60%	6.49%

\*Includes the estimated principal amount of the estimated Bonds offered through this Preliminary Official Statement.

<sup>(1)</sup> The School District may, at any time, claim a credit against the gross principal of debt outstanding equal to the amount estimated to be reimbursed by state sources.

<sup>(2)</sup> Pro rata share of 2.38 percent of \$477,485,740 estimated principal amount outstanding.

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## Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Debt Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Debt Act) for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

Total Revenues for 2011-12.....	\$17,030,158
Total Revenues for 2012-13.....	17,528,525
Total Revenues for 2013-14 (est.).....	17,700,403
<b>Total</b> .....	<b>\$52,259,086</b>
Annual Arithmetic Average (Borrowing Base).....	\$17,419,695

Under the Debt Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt, if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding, would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

	<b><u>Legal Limit</u></b>	<b><u>Net Debt Outstanding</u><sup>(1)</sup></b>	<b><u>Remaining Borrowing Capacity</u></b>
Net Nonelectoral Debt and Lease Rental Debt Limit: 225% of Borrowing Base.....	\$39,194,315	\$20,890,000	\$18,304,315

\*Includes the principal amount of the estimated Bonds offered through this Preliminary Official Statement; does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by Commonwealth aid.

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## Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation nonelectoral and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which Commonwealth Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

**TABLE 15**

### HALIFAX AREA SCHOOL DISTRICT DEBT SERVICE REQUIREMENTS\*

<u>Year</u>	<u>Other General Obligation Debt</u>	<u>Principal</u>	<u>Series of 2014 Interest</u>	<u>Subtotal</u>	<u>Total Requirements</u>
2013-14	\$ 1,394,550				
2014-15	1,343,500				
2015-16	688,380				
2016-17	683,105				
2017-18	685,730				
2018-19	682,980				
2019-20	683,630				
2020-21	685,248				
2021-22	685,465				
2022-23	684,115				
2023-24	686,590				
2024-25	683,473				
2025-26	684,305				
2026-27	688,890				
2027-28	687,170				
2028-29	683,440				
2029-30	687,940				
2030-31	686,540				
2032-33	684,058				
2033-34	685,233				
2034-35	684,768				
2035-36	687,678				
2036-37	684,405				
<b>Total</b>	<b>\$17,131,190</b>				

\*Totals may not add due to rounding.

**TABLE 16**

### HALIFAX AREA SCHOOL DISTRICT COVERAGE OF DEBT SERVICE AND LEASE RENTAL REQUIREMENTS BY STATE AID\*

2013-14 (est.) State Aid Received.....	\$8,587,980
2013-14 (est.) Debt Service Requirements.....	\$1,252,552
Maximum Future Debt Service Requirements after Issuance of Bonds .....	
Coverage of 2013-14 (est.)Debt Service Requirements .....	6.86 times
Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds.....	times

\*Assumes current State Aid Ratio. See "State Aid to School Districts."

## **Future Financing**

The School District does not anticipate issuing an additional long-term non-refunding debt within the next year.

## **LABOR RELATIONS**

### **School District Employees**

There are presently 196 employees of the School District; 103 employees are teachers, 12 administrative employees, and 81 are support personnel. The support personnel include secretaries, cafeteria staff, custodians and teacher's aides.

The School District's teachers are represented by the Halifax Area Education Association, an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District, which expires on June 30, 2017. Secretaries, custodians, maintenance, and cafeteria employees and teacher aides are represented by a labor union organization. The Halifax Education Support Personnel Associate (HESPA), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract that expires on June 30, 2015.

### **Pension Program**

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the State Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a recent Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for part-time employees regarding participation in the program.

The PSERS Board of Trustees has set the fiscal year 2014-15 employer retirement contribution rate at 21.40%, which is composed of a pension contribution rate of 20.50% for pension benefits and 0.90% for healthcare insurance premium assistance. The School District and the Commonwealth are responsible for paying a portion of the employer's share. Employers are divided into two groups; school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. Recent School District payments have been as follows:

2009-10		\$163,509
2010-11		208,405
2011-12		281,375
2012-13		583,562
2013-14	(estimated)	660,061
2014-15	(budgeted)	888,679

The School District is current in all payments. Future projections are indicating increases in the contribution rate for future years and for further discussions of these increases please refer to the PSERS web site listed below.

### **Other Post-Employment Benefits**

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future retired professional employees, and to provide retirement severance pay for existing employees. The School District became subject to the requirements of GASB Statement No. 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009.

For a complete description of this plan see Appendix D - Audit.

## **LITIGATION**

At the time of settlement, the School District and the Solicitor will deliver a certificate stating that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue said Bonds and there is no litigation which would materially affect the School District's financial condition. Currently, there is no such litigation pending or threatened.

## **DEFAULTS AND REMEDIES**

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, is the right of holders of the Bonds to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## **TAX MATTERS**

### **Federal Tax Exemption**

Bond Counsel is expected to issue its opinion that, under existing law, the interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for Federal income tax purposes and (b) are not items of tax preference within the meaning of Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, it should be noted: with respect to corporations (as defined for federal income tax purposes), such interest and accruals are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. Accruals of original issue discount with respect to a Bond allocable to an owner of the Bond under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption or other disposition of the Bond. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. The Issuer has designated the Bonds as Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Issuer will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be or become "arbitrage bonds" as described in Section 103(b)(2) and Section 148 of the Code, as contemplated by the United States Treasury regulations relating to "arbitrage bonds."

### **Pennsylvania Tax Exemption**

Bond Counsel is also of the opinion that the Bonds are exempt from personal property taxes in Pennsylvania; and the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from personal income taxation by the Commonwealth of Pennsylvania, or by any of its political subdivisions, under present statutory and case law.

### **Internal Revenue Code Covenants**

The Code contains provisions relating to the tax-exempt status of interest on obligations issued by government entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the Issuer subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain exempt from federal income taxes. The Issuer has covenanted that it will make no use of the proceeds of such issue which would cause the Bonds to be arbitrage bonds, and has further covenanted to comply with the rebate and other requirements of Section 103 and 148 of the Code, and the regulations thereunder, during the term of such issue. Officers of the Issuer will execute a certificate concerning the use of the Bonds in conformity with Section 103 and Section 141 through 150 of the Code and the regulations thereunder.

### **Qualified Tax-Exempt Obligations**

Under the Code, financial institutions will be denied 100% of their interest expenses deductions that are allocable, by formula, to tax exempt obligations acquired after August 7, 1986; the former provisions of the Internal Revenue Code of 1954 with respect to a 20% disallowance continues to apply with respect to tax-exempt obligations acquired on or before August 7, 1986. These provisions are effective for tax years beginning after December 31, 1986.

The 20% disallowance rule applies in place of the 100% disallowance rule in the case of "qualified tax-exempt obligations" under Section 265(b)(3) of the Code. The Issuer has designated the Bonds as Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of the Code. The Issuer reasonably anticipates that it, together with any subordinate entities, will not issue more than \$10,000,000, aggregate principal amount, of tax-exempt obligations during the calendar year 2014.

**The Bonds described in this Preliminary Official Statement have been designated or have been deemed designated by the Issuer as "Qualified Tax-Exempt Obligations" for purposes and effect contemplated by Section 265 of the Code (concerning expenses and interest relating to tax-exempt income of certain financial institutions).**

A financial institution purchasing or holding the Bonds may wish to consult its professional tax advisors to determine the effect on the interest expense disallowance relating to tax-exempt obligations upon its federal income tax liability.

## **Federal Alternative Minimum Tax Calculations**

Under the Code, the federal alternative minimum taxable income of a corporation is based in part upon the adjusted current earnings of the corporation, which includes interest on and accruals of original issue discount with respect to the Bonds held by the corporation, although such interest and accruals of original issue discount with respect to the Bonds may not be includable in gross income for calculations of regular federal income tax liability.

A prospective corporate purchaser of the Bonds may wish to consult its professional tax advisors as to the potential impact upon its income tax liability.

## **Taxable Social Security and Railroad Retirement Benefits Calculation**

Interest on and accruals of original issue discount with respect to the Bonds are included in modified adjusted gross income in determining the portion of Social Security or railroad retirement benefits to be included in an individual taxpayer's gross income for federal income tax purposes.

A prospective purchaser of the Bonds who is receiving Social Security or railroad retirement benefits may wish to consult his or her professional tax advisors as to the effect interest income derived from the Bonds may have upon his or her income tax liability.

## **Property and Casualty Insurance Company Income Taxes**

Under the Code, a property and casualty insurance company, in any taxable year, must reduce its deduction for "losses incurred" by a percentage of the tax-exempt interest received by such property and casualty insurance company during the taxable year.

In addition, a portion of the dividends received by a property and casualty insurer attributable to tax-exempt income is not deductible by the insurer for federal income tax purposes.

The Code provides generally that these provisions are effective for tax years beginning after December 31, 1986, and with respect to obligations acquired after August 7, 1986, but a property and casualty insurer should consult its professional tax advisors for a full explanation of the effect of these provisions upon its income tax liability.

## **Tax on Excess Passive Net Income of S Corporation**

An S Corporation may be subject to federal income taxation on passive investment income including interest on and accruals of original issue discount with respect to the Bonds, if the S corporation has subchapter C earnings and profits at the close of the taxable year and the S corporation's passive investment income exceeds 25% of its gross receipts for the taxable year.

A prospective purchaser of the Bonds which is an S Corporation should consult its professional tax advisors as to the effect of interest income from the Bonds on its tax liability.

## **Branch Profits Tax**

Interest on and accruals of original issue discount with respect to the Bonds held by a foreign corporation could be subject to a branch profits tax imposed by Section 884 of the Code.

A prospective foreign corporate purchaser of the Bonds may wish to consult its professional tax advisors as to the impact of the branch profits tax on its United States tax liability.

## **Interest Reporting Requirements**

Under the Code, all taxpayers are required to report on their federal income tax returns the amount of interest received or accrued during the year that is exempt from federal income tax. This provision applies to interest on all tax-exempt obligations including the Bonds.

## **Market Discount**

A tax-exempt bond such as a Bond if acquired by purchase, other than at original issuance, is a "market discount bond" if the bond is purchased at a price less than its stated principal amount (or, in the case of a bond issued with original issue discount, its issue price increased for accruals of original issue discount), with such difference being the amount of "market discount". If a holder recognizes gain on the disposition of a market discount bond (including by early redemption or gift), a portion of the gain (up to the amount of market discount that accrued while the bond was held by such holder) will be treated as ordinary income and not as capital gain. For this purpose, market discount accrues on a straight-line basis or, if elected by the holder, on a constant interest rate basis; the election, on a bond-by-bond basis, is irrevocable once made.

The holder of a market discount bond may elect to include the market discount in income as taxable interest income as the market discount accrues. The current inclusion election, once made, applies to all market discount obligations acquired by such holder on or after the first day of the first taxable year in which the election applies, and may not be revoked without the permission of the Internal Revenue Service. If the current inclusion election is made, the holder's tax basis in the market discount bond is increased by the amount of market discount accruals included in income.

## Original Issue Discount

The difference between the final offering price to the public of the Bonds maturing on \_\_\_\_\_, 20\_\_ (the "OID Bonds") and the maturity amount of such OID Bonds is treated as original issue discount.

Because of the possibility of transfers, redemption or other disposition prior to maturity, the Code provides rules for the accrual of original issue discount on any tax-exempt obligation including any securities issued in the form of the Bonds. Original issue discount on the OID Bonds is treated as accruing in the manner provided by the Code with respect to original issue discount on taxable securities, except that the rules with respect to acquisition premium and de minimis original issue discount that apply to taxable securities will not apply to tax-exempt securities. Generally, an appropriate portion (depending on the holding period of the OID Bond by each purchaser) of the total amount of original issue discount payable at the maturity of the OID Bond will, upon disposition or payment of an OID Bond, be treated as a return of capital, rather than as taxable gain, for federal income tax purposes. The portion so treated will be determined by allocating the total original issue discount over the term of each OID Bond through a series of adjustments to the issue price for each accrual period. The adjustment to the issue price for each accrual period is determined by multiplying the issue price at the beginning of such accrual period (the issue price as increased by adjustments for all prior accrual periods) by the appropriate fraction of such OID Bond's original yield to maturity and subtracting any current interest payment thereon during such accrual period.

Owners of OID Bonds should consult their professional tax advisors as to the precise determination for federal income tax purposes for interest accrued on and original issue discount accrued with respect to such OID Bonds upon any purchase, sale, redemption or other disposition or payment of such OID Bonds, and as to the state and local tax consequences of owning such OID Bonds.

## Tax Treatment of Premium

The Bonds maturing on \_\_\_\_\_, 20\_\_ will be reoffered at a price in excess of the principal amount thereof (the "Premium Bonds"). Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Premium Bonds and with respect to the state and local consequences of owning and disposing of Premium Bonds.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE LIST OF THE PROVISIONS OF FEDERAL TAX LAW WHICH MAY HAVE AN EFFECT ON INDIVIDUALS AND CORPORATIONS HOLDING THE BONDS OR RECEIVING INTEREST THEREON. PROSPECTIVE PURCHASERS SHOULD CONSULT WITH THEIR TAX ADVISORS REGARDING THE EFFECT OF HOLDING THE BONDS OR RECEIVING INTEREST THEREON MAY HAVE ON THEIR AFFAIRS, INCLUDING, BUT NOT LIMITED TO, THE EFFECT OF STATE AND LOCAL TAX LAWS.

## CHANGE IN LAW

From time to time, certain legislative proposals may be introduced, or may now be pending, in the Congress of the United States, including some that carry retroactive effective dates, that, if, enacted, could alter or amend the federal tax matters described above or affect the market value of the Bonds. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent any beneficial owner of a Bond from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

From time to time, certain legislative proposals may be introduced, or be pending, in the Pennsylvania General Assembly that if enacted, could alter or amend the Issuer's taxing authority. No prediction can be made whether or in what form any such proposal or proposals might be enacted into law or whether, if enacted, the same would apply to bonds issued prior to enactment.

## CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will agree to provide the following to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format as prescribed by the MSRB, either directly or indirectly through a designated agent:

- (A) Annually, not later than **275 days** following the end of each fiscal year, beginning with the fiscal year ending June 30, 2015, the following financial information and operating information for the School District:
  - (1) financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units
  - (2) a summary of the budget for the current fiscal year when available (i.e. the fiscal year following the fiscal year of the financial statements being provided)
- (B) If not submitted as part of the annual financial information, then when and if available, audited financial statements for the School District;
- (C) In a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) substitution of credit or liquidity providers, or their failure to perform;
  - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
  - (7) modifications to rights of holders of the Bonds, if material;
  - (8) bond calls, if material, and tender offers;
  - (9) defeasances;
  - (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the School District;
  - (13) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
  - (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (D) in a timely manner, notice of a failure of the School District to provide the required annual financial information specified above, on or before the date specified above.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The events listed in (C) above are those specified in the Rule, not all of which may be relevant to the Bonds. The School District may from time to time choose to file notice of the occurrence of other events, in addition to the events listed in (C) above, but the School District does not commit to provide notice of the occurrence of any events except those specifically listed in (C) above.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.



The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other “obligated persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (“EMMA”) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

Some operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Official Statements of future bond issues as well as publicly available information. In connection with the Continuing Disclosure Agreement associated with the Bonds, the School District will not be filing this information separately but it may be available in the other annual filings of the School District or publicly available elsewhere.

### Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that are currently outstanding. The School District’s filing history of its annual financial and operating information during the past five (5) years is outlined in the table below.

Fiscal Year Ending	Filing Deadline <sup>[1]</sup>	Financial Statements		Budget		Operating Data	
		Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>	Filing Date	EMMA ID <sup>[2]</sup>
6/30/2009	12/27/2009	12/26/2012	EP592081	12/26/2012	EP592059	10/20/2009	<sup>[3]</sup>
6/30/2010	12/27/2010	12/26/2012	EP592059	12/26/2012	EP592056	10/28/2014	ER647895
6/30/2011	12/27/2011	12/26/2012	EP592056	12/26/2012	EP592049	12/26/2012	EP592049
6/30/2012	12/27/2012	12/26/2012	EP592053 <sup>[4]</sup>	12/26/2012	EP592061	12/23/2013	EA484865
6/30/2013	12/27/2013	12/23/2013	EA484865	12/23/2013	EA484866	10/28/2014	ER647902

### Notes

<sup>[1]</sup> For these purposes, assumes the shortest filing deadline of the School District’s previous Continuing Disclosure Agreements.

<sup>[2]</sup> Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:  
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

<sup>[3]</sup> A portion of information can be found in Official Statements for the Series of 2009 Bonds and the Series of 2013 Bonds. A Notice of Reference to Other Submitted Documents was filed to EMMA on October 31, 2014 (EMMA ID ER651034).

<sup>[4]</sup> Interim filing of PDE-2057 AFR. Audited financial statements were filed on 2/15/2013 (EMMA ID: EA44446).

Based on the information above, the School District’s annual financial and operating filing history over the past five (5) years can be summarized as follows:

For fiscal year ending June 30, 2009, the School District filed its audited financial statements and summary of the budget on December 26, 2012. Its operating data was available as part of Official Statement’s filed on October 2, 2009 and October 2, 2013. A Notice of Reference to Other Submitted Documents providing reference to the operating data was filed on October 31, 2014.

For fiscal year ending June 30, 2010, the School District filed its audited financial statements and summary of the budget on December 26, 2012. The operating data was filed on October 28, 2014.

For fiscal year ending June 30, 2011, the School District filed its audited financial statements, summary of the budget and other operating data on December 26, 2012.

For fiscal year ending June 30, 2012, the School District filed its PDE-2057 Annual Financial Report and summary of the budget on December 26, 2012. Its audited financial statements were filed on February 15, 2013. The operating data was filed on December 23, 2013.

For fiscal year ending June 30, 2013, the School District filed its audited financial statements and summary of the budget on December 23, 2013. The other operating data was filed on October 28, 2014.

### Failure to Provide Annual Financial Information

As outlined in the table above, the School District failed to provide certain annual financial information in a timely manner during the past (5) five years. The School District filed a “Failure to Provide Annual Financial Information” notice to EMMA on October 31, 2014.

### Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody’s

Some of the School District’s bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades and upgrades by both S&P and Moody’s. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. For informational purposes, the School District filed a summary of rating upgrades and downgrades relating to certain bond insurance companies.

## **Future Continuing Disclosure Compliance**

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

## **RATINGS**

Standard & Poor's Ratings Group has assigned its underlying rating of "\_\_\_\_\_" to this issue of Bonds. Standard & Poor's Ratings Group will assign its municipal bond rating of "\_\_\_\_\_" to this issue of Bonds, based upon the issuance by \_\_\_\_\_ of its municipal bond insurance policy. Any explanation of the significance of such rating may be obtained from the rating agency furnishing the rating. The rating reflects only the view of such rating agency and the School District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **UNDERWRITING**

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of \$\_\_\_\_\_ consisting of an underwriter's discount of \$\_\_\_\_\_, plus/less an original issue premium (discount) of \$\_\_\_\_\_ from the dated date to the date of delivery of the Bonds.

## **LEGAL OPINION**

The Bonds are offered with the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel of Harrisburg, Pennsylvania. Certain legal matters will be passed upon for the School District by Caldwell & Kearns, P.C., Harrisburg, Pennsylvania, School District Solicitor.

## **FINANCIAL ADVISOR**

The School District has retained Public Financial Management, Inc., Harrisburg, Pennsylvania as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **MISCELLANEOUS**

This Preliminary Official Statement has been prepared under the direction of the School District by Public Financial Management, Inc., Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement had been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

HALIFAX AREA SCHOOL DISTRICT  
DAUPHIN COUNTY, PENNSYLVANIA

By: \_\_\_\_\_  
Hara Frank  
President, Board of School Directors

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**APPENDIX A**  
**Demographic and Economic Information**  
**Relating to the Halifax Area School District**

## Introduction

The Halifax Area School District (the “School District”) is located in Dauphin County in central Pennsylvania, approximately 20 miles north of Harrisburg. The School District covers 86.1 square miles and is comprised of Halifax Borough, Halifax Township, Jackson Township, and Wayne Township.

## Population

Table A-1 which follows shows recent population trends for the School District, Dauphin County and the Commonwealth of Pennsylvania (the “Commonwealth”). Average household size was slightly smaller for Dauphin County than the Statewide average.

**TABLE A-1**  
**RECENT POPULATION TRENDS**

<u>Area</u>	<u>2000</u>	<u>2010</u>	<u>Compound Average Annual Percentage Change Annual % Change 2000-2010</u>
School District.....	7,116	7,606	-0.66%
Dauphin County .....	268,100	251,798	0.63%
Pennsylvania.....	12,702,379	12,281,054	0.34%

Source: US Bureau of the Census.

**TABLE A-2**  
**AGE COMPOSITION**

	<u>0-17</u>	<u>18-64</u>	<u>65+</u>	<u>Persons Per</u>
	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Household</u>
Dauphin County.....	24.3%	61.5%	14.2%	2.54
Pennsylvania.....	23.8%	60.6%	15.6%	2.57

Source: Pennsylvania State Data Center, 2000 General Population and Housing Characteristics: Pennsylvania.

## Employment

Overall employment data are not compiled for the School District or municipalities within it, but such data are compiled for the Dauphin County and the MSA.

**TABLE A-3**  
**NONFARM JOBS BY INDUSTRY**  
**HARRISBURG-CARLISLE METROPOLITAN STATISTICAL AREA**  
**(Cumberland, Dauphin and Perry counties)**

<i>ESTABLISHMENT DATA</i>	Industry Employment				Net Change From:	
	June 2013	May 2013	April 2013	June 2012	May 2013	June 2012
<b>TOTAL NONFARM</b> .....	<b>333,000</b>	330,200	327,200	329,000	2,800	4,000
<b>TOTAL PRIVATE</b> .....	<b>272,200</b>	269,500	266,000	268,000	2,700	4,200
<b>GOODS-PRODUCING</b> .....	<b>31,200</b>	30,700	30,300	31,500	500	-300
Mining, Logging, and Construction .....	<b>10,800</b>	10,500	10,200	10,800	300	0
<b>Manufacturing</b> .....	<b>20,400</b>	20,200	20,100	20,700	200	-300
Durable Goods .....	<b>10,700</b>	10,600	10,600	11,000	100	-300
Non-Durable Goods .....	<b>9,700</b>	9,600	9,500	9,700	100	0
Food Mfg. ....	<b>5,400</b>	5,300	5,300	5,600	100	-200
<b>SERVICE-PROVIDING</b> .....	<b>301,800</b>	299,500	296,900	297,500	2,300	4,300
<b>PRIVATE SERVICE-PROVIDING</b> .....	<b>241,000</b>	238,800	235,700	236,500	2,200	4,500
Trade, Transportation, and Utilities .....	<b>64,400</b>	64,800	63,900	64,100	-400	300
Wholesale trade .....	<b>11,900</b>	11,800	11,800	12,000	100	-100
Retail trade.....	<b>31,600</b>	31,800	31,100	31,400	-200	200
General merchandise stores .....	<b>5,000</b>	5,000	5,000	5,100	0	-100
Transportation, Warehousing and Utilities ...	<b>20,900</b>	21,200	21,000	20,700	-300	200
Transportation and Warehousing .....	<b>20,000</b>	20,300	20,100	19,700	-300	300
Truck transportation.....	<b>8,700</b>	8,700	8,600	8,300	0	400
Warehousing and storage .....	<b>5,900</b>	5,900	5,900	5,800	0	100
<b>Information</b> .....	<b>4,900</b>	4,900	4,900	5,100	0	-200
<b>Financial Activities</b> .....	<b>22,400</b>	22,300	22,200	22,200	100	200
Finance and Insurance .....	<b>19,400</b>	19,300	19,300	19,300	100	100
<b>Professional and Business Services</b> .....	<b>44,500</b>	43,800	44,000	43,400	700	1,100
Professional and technical services.....	<b>16,200</b>	15,600	16,300	15,600	600	600
Management of companies & enterprises ..	<b>8,500</b>	8,400	8,400	8,200	100	300
Administrative and waste services .....	<b>19,800</b>	19,800	19,300	19,600	0	200
<b>Educational and Health Services</b> .....	<b>51,200</b>	51,400	51,200	49,800	-200	1,400
Educational services .....	<b>7,600</b>	8,600	8,400	7,100	-1,000	500
Health care and social assistance .....	<b>43,600</b>	42,800	42,800	42,700	800	900
Hospitals .....	<b>15,400</b>	15,300	15,200	15,000	100	400
<b>Leisure and Hospitality</b> .....	<b>35,700</b>	33,900	31,900	34,400	1,800	1,300
Accommodation and food service.....	<b>25,300</b>	24,700	23,800	24,600	600	700
Food services and drinking places .....	<b>19,900</b>	19,700	19,100	19,300	200	600
<b>Other Services</b> .....	<b>17,900</b>	17,700	17,600	17,500	200	400
<b>Government</b> .....	<b>60,800</b>	60,700	61,200	61,000	100	-200
Federal Government .....	<b>7,400</b>	7,200	7,200	7,700	200	-300
State Government .....	<b>32,600</b>	32,600	33,300	32,300	0	300
Local Government .....	<b>20,800</b>	20,900	20,700	21,000	-100	-200
Local government educational services	<b>13,000</b>	13,600	13,500	13,300	-600	-300
Other Local Government .....	<b>7,800</b>	7,300	7,200	7,700	500	100

Data benchmarked to March 2012

\*\*\*Data changes of 100 may be due to rounding\*\*\*

Source: Paworkstats.state.pa.us

Table A-4 shows recent trends in labor force, employment and unemployment for Dauphin County and the Commonwealth. The unemployment rate for Dauphin County has been lower than the statewide average. Employment for Dauphin County has increased for the County at a faster rate than the rate for the Commonwealth.

**TABLE A-4**  
**RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**(Dauphin County)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013<sup>(1)</sup></u>	<b>Compound Average Annual % Rate</b>
<i>Dauphin County</i>							
Civilian Labor Force (000) .....	137.8	136.7	134.9	137.8	139.3	140.4	0.37%
Employment (000) .....	131.3	126.5	123.7	127.3	128.6	130.2	-0.17%
Unemployment (000) .....	6.5	10.2	11.2	10.5	10.7	10.2	9.43%
Unemployment Rate .....	4.7%	7.5%	8.3%	7.6%	7.7%	7.3%	
<i>Pennsylvania</i>							
Civilian Labor Force (000) .....	6,349.0	6,383.0	6,340.0	6,386.0	6,487.00	6,529.00	0.56%
Employment (000) .....	6,096.0	5,870.0	5,791.0	5,879.0	5,973.00	6,040.00	-0.18%
Unemployment (000) .....	343.0	514.0	549.0	507.0	513	490	7.39%
Unemployment Rate .....	5.3%	8.0%	8.7%	7.9%	7.9%	7.5%	

<sup>(1)</sup>As of June 2013.

Source: Pennsylvania State Employment Service.

Listed below are some of the larger employers of the region:

<u>Name</u>	<u>Product/Service</u>
Commonwealth of Pennsylvania	Government
Milton S. Hershey Medical Center	Health Care
Hershey Company	Manufacturer of Confections
Hershey Entertainment and Resorts	Amusement parks, golf, resorts, hotels
Pinnacle Health Systems	Health Care
Federal Government	Government
PA Higher Education Assistance Agency	Higher Education
Tyco Electronics Corporation	Manufacturer
Harrisburg Area Community College	Education
Pennsylvania State University	Education

Source: Center for Workforce Information & Analysis website.



## Income

The data on Table A-5 show recent trends in per capita income for the School District, the County and Pennsylvania over the 2000-2009 period.

**TABLE A-5**  
**RECENT TRENDS IN PER CAPITA INCOME\***

	<u>2000</u>	<u>2009</u>	<u>Compound Average Annual % Change 2000-2009</u>
School District .....	\$28,476	\$	%
Dauphin County .....	22,134	27,402	2.40%
Pennsylvania .....	20,880	26,678	2.76%

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: 2000: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2009: U.S. Census Bureau, 2005-2009 American Community Survey.

## Commercial Activity

Table A-6 shows recent trends for retail sales in Dauphin County and the Commonwealth.

**TABLE A-6**  
**TOTAL RETAIL SALES**  
**(000)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Dauphin County .....	\$ 4,521,348	\$ 4,323,994	\$ 4,595,850	\$ 4,594,147	\$ 4,294,807
Pennsylvania .....	180,948,327	174,483,292	188,193,104	188,149,727	187,412,600

Source: Sales and Marketing Management Magazine.

## Educational Institutions

The MSA has a number of institutions of higher learning, including the Milton S. Hershey Medical Center, the Harrisburg University of Science & Technology, the Harrisburg Area Community College, Pennsylvania State University Harrisburg Campus, Dickinson College, Dickinson School of Law of the Pennsylvania State University, Messiah College, Temple University (Harrisburg Campus), Elizabethtown College, Lebanon Valley College and Widener University School of Law.

The Harrisburg Area Community College ("HACC") was the first comprehensive community college to be established in Pennsylvania and serves the three-county area surrounding Harrisburg. Since HACC's inception in 1964, HACC has grown from a single campus of 426 students into a multi-campus institution which enrolls nearly 12,000 credit students each semester. HACC has campuses throughout the MSA and also in the Gettysburg area.

Penn State Harrisburg (the "University"), located in Middletown, Pennsylvania, a campus of The Pennsylvania State University's Capital College, has a total enrollment of approximately 3,400 students. The University offers 44 programs leading to associates degrees, bachelor's degrees, post bachelor certificates, masters degrees and doctoral degrees. Dickinson College, located in Carlisle, is the second oldest institution of higher learning in Pennsylvania. The Dickinson School of Law of the Pennsylvania State University, also located in Carlisle, is the oldest law school in the Commonwealth, having been founded in 1834.

## **Medical Facilities**

The residents of the School District are served by five major medical institutions: Milton S. Hershey Medical Center of Pennsylvania State University; Pinnacle Health Systems which consists of four hospitals within the system and the County as follows: Community General Osteopathic Hospital, Harrisburg Hospital, Polyclinic Hospital, and Seidle Hospital; and Holy Spirit Hospital.

## **Transportation**

The School District is served by PA Route 147, 225 and 322, 322 which connects to Interstate 81 connects the County with Scranton, Wilkes-Barre, Binghamton and Syracuse, New York to the north, and major cities to the south; Interstate 78 with Allentown-Bethlehem-Easton and New York City to the east; Interstate 83 which runs south to York and Baltimore, Maryland; and Interstate 76 (Pennsylvania Turnpike) which connects the School District with Philadelphia and Pittsburgh. U.S. 11, 15, 22 and 422 and Interstate 283 also serve the MSA area.

The Harrisburg International Airport (HIA) is located in Middletown. The Airport has a 10,000 foot runway and can handle the nation's largest commercial and military aircraft. The U.S. Commerce Department has simplified export procedures for the Harrisburg Port-of-Entry, so that cargo may now be flown directly from Harrisburg to foreign countries as well as any domestic point. The Airport is served by USAirways, United Airlines, Delta Airlines, American Airlines and Northwest Airlines, in addition to several commuter airlines. General aviation service is also available at the Capital City Airport and three other airports in the Harrisburg metropolitan area.

Norfolk Southern facilities, which include the mainline of the former Conrail, offer freight transportation to and from the Harrisburg area. The yard at Enola in Cumberland County is one of the largest classification yards on the Norfolk Southern system. AMTRAK operates regular daily passenger service through the County to major eastern, southern and western cities. The Harrisburg Transportation Center serving AMTRAK and Greyhound Bus Lines completed a \$26 million renovation and restoration.

The Capital Area Transit Authority provides regional mass transportation services throughout the School District.

## **Recreation**

Sports and recreation play a major role in the growth and activity of the School District. The Hershey Park amusement complex and the Penn National Racetrack, and the Hollywood Casino located at the Penn National Race Track attract millions of visitors to the area each year. Dauphin County is the home of the Hershey Bears of the American Hockey League. Harrisburg is home to the Harrisburg Senators, the Washington Nationals class AA affiliate. Excellent fishing is available in the many limestone trout streams of the County and the Susquehanna River. Skiing is available during the winter at nearby Ski Roundtop, Snow Peak, Eagles Rock and Ski Liberty.

There are many historical homes, inns, farms, churches and restaurants dispersed throughout the County. The eight colleges in the Harrisburg MSA host many varied cultural events including plays, lectures, arts and crafts exhibits and numerous sporting events.

The County's first developed park, Fort Hunter Mansion and Park, a gift to the County by the Fort Hunter Foundation on July 15, 1980, is located on a scenic 35 acre river front site. Fort Hunter offers professionally guided tours of the elegantly restored mansion, picnic pavilions, play equipment, free walking tour brochure, river front walk and a Pennsylvania Canal.

## **Utilities**

The School District residents are served by three telephone companies including Verizon, AT&T, and Commonwealth Communications. The School District is served by PPL Utilities for electric services and Halifax Borough Sewer Authority for all public sewer services.

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**APPENDIX B –  
FORM OF OPINION OF BOND COUNSEL**

## FORM OF OPINION OF BOND COUNSEL

The form of the approving legal opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, is set forth below. The actual opinion will be signed and delivered on the date of delivery of the Bonds and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of this Official Statement shall create no implication that Eckert Seamans Cherin & Mellott, LLC, has reviewed any of the matters set forth in such opinion subsequent to the date thereof.

HALIFAX AREA SCHOOL DISTRICT  
Dauphin County, Pennsylvania  
\$ \_\_, \_\_, \_\_ General Obligation Bonds, Series of 2014

To the Purchasers of the  
Above-Described Bonds:

December \_\_, 2014

We have acted as Bond Counsel in connection with the issuance and sale by the Halifax Area School District, Dauphin County, Pennsylvania (the "Issuer") of its General Obligation Bonds, Series of 2014 in the aggregate principal amount of \$ \_\_, \_\_, \_\_ (the "Bonds"). The Bonds have been issued pursuant to a Resolution (the "Resolution") adopted by the Board of School Directors on October 14, 2014, are issuable in the denomination of \$5,000 and whole multiples thereof and are in fully registered form. The Bonds are dated and bear interest from December \_\_, 2014. Interest on the Bonds is payable initially on March 1, 2015, and semiannually on each March 1 and September 1 thereafter, until payment of the principal thereof has been duly made or provided for. The Bonds were sold pursuant to the Bond Purchase Proposal, dated October 14, 2014, which Bond Purchase Proposal was approved by the Resolution and, further, the Bonds bear interest at the rates and mature on the dates and in the amounts as set forth in the Addendum to the Bond Purchase Proposal, dated November \_\_, 2014, which Addendum was authorized by and approved pursuant to the Resolution. The Bonds are subject to optional redemption and mandatory sinking fund redemption as set forth in the Addendum.

As Bond Counsel, we have examined, among other things, the proceedings related to the issuance and delivery of the Bonds, as filed with the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the "Commonwealth"), an executed counterpart of the Resolution, the form of the Bonds, the Local Government Unit Debt Act, 53 Pa.C.S. § 8001 *et seq.*, as amended, the Constitution of the Commonwealth and such other public records, certificates, instruments, and documents as we have deemed necessary or appropriate in order to enable us to render an informed opinion as to the matters set forth herein.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement, dated October 14, 2014 (the "Official Statement") or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the certified proceedings relating to the issuance of the Bonds and other

certifications of public officials, including the opinion of the Solicitor to the Issuer as to certain matters relating to the Issuer, furnished to us without undertaking to verify the same by independent investigation.

The Bonds have been designated or deemed designated by the Issuer as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Based on such examination and the certifications and representations of fact contained in the proceedings relating to the issuance of the Bonds, which we have not verified independently, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Bonds are valid and binding general obligations of the Issuer.
2. All taxable real property in the territory of the Issuer is subject to ad valorem taxation as to rate or amount to pay debt service on the Bonds, within the limits prescribed by the Taxpayer Relief Act, Special Session Act 1 of 2006, as amended on June 30, 2011 by Act 25 of 2011 (collectively, "Act 1"). An increase of the Issuer's ad valorem tax rate above an index established by Act 1, if necessary to fund debt service on the Bonds, requires approval by the voters through referendum, unless Act 1 specifies approval from the Pennsylvania Department of Education.
3. The Issuer has effectively covenanted to include the amount of the debt service on the Bonds for each fiscal year in which such sums are due in its budget for that year, to appropriate such amounts to the payment of such debt service and to punctually pay or cause to be paid the debt service on the Bonds at the dates and places and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the Issuer has pledged its full faith, credit and taxing power.
4. The interest on and accruals of original issue discount with respect to the Bonds (a) are excluded from gross income for federal income tax purposes pursuant to the Code, and (b) are not items of tax preference within the meaning of Section 57(a)(5) of the Code for purposes of federal alternative minimum tax imposed by Section 55 of the Code on individuals and corporations; however, with respect to corporations (as defined in the Code for federal income tax purposes), such interest and accruals of original issue discount are taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. Accruals of original issue discount with respect to a Bond allocable to a registered owner of the Bond (as defined therein) under a constant yield method of accrual (a) are not included in gross income for federal income tax purposes, and (b) are added to such registered owner's tax basis in the Bond for the purpose of determining gain or loss for federal income tax purposes upon sale, exchange, redemption or other disposition of such Bond. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on and accruals of original issue discount with respect to the Bonds be (or continue to be) excluded from gross income for federal income tax

purposes. Failure to comply with such requirements could cause the interest on and accruals of original issue discount with respect to the Bonds to be included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with such requirements.

5. The Bonds are Qualified Tax-Exempt Obligations under Section 265(b)(3) of the Code.
6. The Bonds are exempt from personal property taxes in Pennsylvania; the interest on the Bonds is exempt from Pennsylvania Corporate Net Income Tax and from Pennsylvania state and local personal income tax.
7. Under the Probate, Estates and Fiduciaries Code of Pennsylvania, the Bonds are an authorized investment for fiduciaries and personal representatives, as defined in said Code, in Pennsylvania.

No opinion is expressed as to other tax consequences that may accrue to an owner of the Bonds as a result of purchase or ownership of the same except as specifically set forth herein.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

ECKERT SEAMANS CHERIN & MELLOTT, LLC

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**APPENDIX C**  
**Specimen Financial Guaranty Insurance Policy**

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**APPENDIX D**  
**HALIFAX AREA SCHOOL DISTRICT**  
**AUDIT YEAR ENDED JUNE 30, 2013**

**HALIFAX AREA SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**HALIFAX, PENNSYLVANIA**

**FOR THE YEAR ENDED JUNE 30, 2013**

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# JONES & CO.

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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Board of School Directors  
Halifax Area School District  
Halifax, Pennsylvania

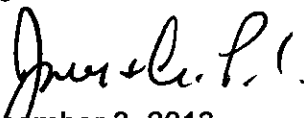
We have performed the OMB Circular A-133 Single Audit of the Halifax Area School District for the year ended June 30, 2013. OMB Circular A-133 indicates that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate government officials.

The reporting packages must be submitted no later than 30 days after you receive our Single Audit Report but no later than 9 months after your year-end (March 31, 2014).

The Single Audit was done to fulfill the requirements of the OMB Circular A-133. It entailed: (1) an audit of the general purpose financial statements and our opinion thereon; (2) an examination of control structure based solely on the understanding obtained as part of the audit of the general purpose financial statements; (3) a review of the internal control structure made as a part of the audit of the federal financial assistance programs; (4) a review of compliance based on an audit of the general purpose financial statements in accordance with Government Auditing Standards; and (5) a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

As part of our report, we have not enclosed a separate management letter for the fiscal year ended June 30, 2013.

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

  
December 3, 2013  
Pottsville, Pennsylvania

**HALIFAX AREA SCHOOL DISTRICT**

**LIST OF REPORT DISTRIBUTION**

**JUNE 30, 2013**

**1 Single Audit Report,  
Data Collection Form and  
Single Audit Reporting  
Package Checklist**

**Must be submitted Via Electronic Mail (E-mail)  
Commonwealth of Pennsylvania  
Office of the Budget - Bureau of Audits,  
Special Audit Services Division  
[RA-BOASingleAudit@state.pa.us](mailto:RA-BOASingleAudit@state.pa.us)**

**1 Single Audit Report and  
Data Collection Form**

**Federal Audit Clearinghouse  
Via Internet Website  
[www.harvester.census.gov/sac](http://www.harvester.census.gov/sac)**

**1 Single Audit Report**

**Prothonotary Office  
Dauphin County Courthouse  
Harrisburg, PA**

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## INDEPENDENT AUDITOR'S REPORT

Board of School Directors  
Halifax Area School District  
Halifax, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Halifax Area School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Halifax Area School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

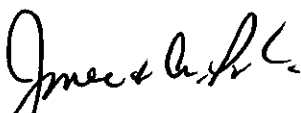
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Halifax Area School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic 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 the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013, on our consideration of the Halifax Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Halifax Area School District's internal control over financial reporting and compliance.



December 3, 2013  
Pottsville, Pennsylvania

# JONES & CO.

A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

WILLIAM L. JONES III, M.B.A., C.P.A., C.V.A.  
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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of School Directors  
Halifax Area School District  
Halifax, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Halifax Area School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Halifax Area School District's basic financial statements, and have issued our report thereon dated December 3, 2013.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Halifax Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Halifax Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Halifax Area School District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

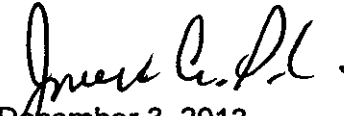
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 3, 2013  
Pottsville, Pennsylvania

# **JONES & CO.**

*A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS*

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of School Directors  
Halifax Area School District  
Halifax, Pennsylvania

### **Report on Compliance for Each Major Federal Program**

We have audited the Halifax Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Halifax Area School District's major federal programs for the year ended June 30, 2013. The Halifax Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Halifax Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Halifax Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Halifax Area School District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Halifax Area School District complied, in all material respects, with the types of 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, 2013.

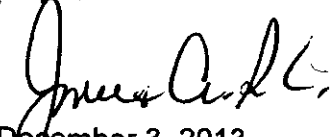
## Report on Internal Control over Compliance

Management of the Halifax Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Halifax Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Halifax Area School District's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



December 3, 2013  
Pottsville, Pennsylvania

**HALIFAX AREA SCHOOL DISTRICT  
HALIFAX, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2013**

The discussion and analysis of Halifax Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

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

### **Financial Highlights**

The assets of Halifax Area School District governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$6,286,610 (*net position*). The government's total net position has increased by \$1,391,866.

At the end of the current fiscal year, unassigned unrestricted fund balance for the general fund was \$1,994,348 or 12.1 percent of the total general fund expenditures of \$16,359,515. The philosophy of the Board of Directors and management has been to maintain an unassigned fund balance of 7-10% of budgeted general fund expenditures. Expenditures were less than budget in many areas due to cost savings implemented. Also a large settlement of \$758,823.58 from the district's healthcare plan due to lower utilization reduced healthcare cost. With these cuts, restricted and committed fund balances were increased or maintained with \$2,108,572.23 for excess health insurance increases, HACC Stabilization Fund of \$48,817.88, Library Fund of 23,353.62 and the non-spendable 9,855.33 the fund balance was increased by reduction in cost. If you included the unassigned, committed, non-spendable, and restricted fund balances, the total fund balance for the General Fund will be \$4,184,947.

Total revenue for the District's general fund exceeded expenditures by \$1,260,597. However, with other financing uses a net increase of \$1,203,480 to fund balance was realized. This is largely attributed to transfers of \$60,000 to the Cafeteria Fund and proceeds from sale of assets of \$2,883. Transfers to the Athletic Fund are no longer necessary due to the fund now being combined into the General Fund. That is why you see a large increase in the student activities area of the General fund. The District's debt consists of a \$3,080,000 in a General Obligation Bond - Series of 2009 issued on November 10, 2009, a \$2,500,000 General Obligation Bond - Series of 2010 issued on March 26, 2010 and a \$949,922 Municipal Suntrust Lease. The GOB Series of 2009 was a refinancing of the GOB Series of 2003 and GOB Series 2004. This created a savings of approximately \$64,000. The GOB Series of 2010 was to upgrade the District's kitchens, football stadium upgrade, and Middle / High School roof repairs and other future projects undecided at this time. The year-end principal balances outstanding are \$1,355,000, \$1,620,000 and \$570,463.55, respectively.

The trends of prior years indicated that the Halifax Area School District would experience another year of only slight increases in the costs for special education instruction and benefits for our employees with the largest increases coming from pension cost. Implementation of some cost saving measure's helped to reduce costs in special education instruction. In the budgeting process, the Board of School Directors was able to balance the budget with a 0 millage increase to our taxpayers and using no fund balance. The actual results of operation showed that revenues did increase slightly with a large decrease in expenditures. Revenues increased by \$46,568 under budget compared to \$1,113,403 expenditure decrease.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the Halifax Area School District. The School District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves. Since the District received over \$500,000 in Federal Funds, an OMB Circular A-133 audit was completed.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Halifax Area School District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused retirement incentives).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Halifax Area School District include most of the School District's basic services, such as regular and special education, administration, and transportation. Property taxes and formula-based state aid finance most of these activities. The Food Services Fund is the sole business-type activity for the Halifax Area School District.



**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Halifax Area School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Governmental funds are segregated by major fund and non-major fund. A major fund is 10% or more of the Government Funds total. The District's governmental major funds consist of the General Fund and Capital Projects Fund, while non-major funds consist of a Capital Reserve Fund.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary funds.** The Halifax Area School District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Halifax Area School District uses an enterprise fund to account for its Food Service Fund. Internal Service funds (the other type of proprietary fund) are used to report activities that provide supplies and services for the government's other programs and activities. The School District currently does not have any internal service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Food Service Fund, which is considered to be a major fund of the School District.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the operations of the Halifax Area School District. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Halifax Area School District maintains four fiduciary funds, the D. C. Millard Trust Fund, Osman Trust Fund, Herb Scholarship Fund, Swim Team Award, and a Student Activities Fund.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The supplementary information contains combining statements to present one non-major governmental fund, the Capital Reserve Fund.

## Government-wide Financial Analysis

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Halifax Area School District, assets exceeded liabilities by \$6,286,610 at the close of most recent fiscal year.

Approximately 46% of the School District's assets reflect its investment in capital assets (e.g. land, buildings, furniture and equipment, construction-in-progress). The Halifax Area School District uses these capital assets to provide services to students; consequently, these assets are **not available** for future spending. The largest portion of the School District's liabilities is its long-term **debt** for general obligation bonds used to finance building improvements and other capital projects. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another item of note on the government-wide financial statements is the balance in cash and investments of \$5,407,829 at June 30, 2013, which include \$349,079 in the Capital Projects Fund and Capital Reserve Funds and the balance of \$5,058,749 in the General Fund.

An additional portion of the School District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations.

The Net Position as of June 30, 2013 and 2012, for the Halifax Area School District are summarized below in Table 1. At the end of the current fiscal year, the School District is able to report positive balances in only one category of net assets, governmental activities. A comparative analysis of two years of data is presented since GASB 34 has been implemented for several years by the District.

Table 1  
Halifax Area School District  
Governmental Activities Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Governmental Activities	FY 2012-2013 Governmental Activities	INC / (DEC) Governmental Activities
Current assets	\$ 6,287,827	\$ 7,060,312	\$ 772,485
Noncurrent assets	5,727,980	5,955,571	227,591
<b>Total assets</b>	<b>\$ 12,015,807</b>	<b>\$ 13,015,883</b>	<b>\$ 1,000,076</b>
Current liabilities	\$ 2,961,865	\$ 3,279,804	\$ 317,939
Noncurrent liabilities	4,459,198	3,449,469	(1,009,729)
<b>Total liabilities</b>	<b>\$ 7,421,063</b>	<b>\$ 6,729,273</b>	<b>\$ (691,790)</b>
Net Position			
Invested in capital assets - net of related debt	\$ 1,066,260	\$ 2,318,507	\$ 1,252,247
Restricted	608,526	129,221	(479,305)
Unrestricted	2,919,958	3,838,882	918,924
<b>Total net position</b>	<b>\$ 4,594,744</b>	<b>\$ 6,286,610</b>	<b>\$ 1,691,866</b>
<b>Total liabilities and net position</b>	<b>12,015,807</b>	<b>13,015,883</b>	<b>\$ 1,000,076</b>

Table 1 (Continued)  
Halifax Area School District  
Business-Type Activities Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Business-Type Activities	FY 2012-2013 Business-Type Activities	INC / (DEC) Business-Type Activities
Current assets	\$ 123,577	\$ 165,318	\$ 41,741
Noncurrent assets	5,524	5,765	241
<b>Total assets</b>	<b>\$ 129,101</b>	<b>\$ 171,083</b>	<b>\$ 41,982</b>
Current liabilities	\$ 93,442	\$ 204,898	\$ 111,456
<b>Total liabilities</b>	<b>\$ 93,442</b>	<b>\$ 204,898</b>	<b>\$ 111,456</b>
Net Assets			
Invested in capital assets - net of related debt	\$ 5,524	\$ 5,765	\$ 241
Restricted	-	-	-
Unrestricted	30,135	(39,580)	(69,715)
<b>Total net position</b>	<b>\$ 35,659</b>	<b>\$ (33,815)</b>	<b>\$ (69,474)</b>
<b>Total liabilities and net position</b>	<b>129,101</b>	<b>171,083</b>	<b>\$ 41,982</b>

Table 1 (Continued)  
Halifax Area School District  
Total School District Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Total School District	FY 2012-2013 Total School District	INC / (DEC) Total School District
Current assets	\$ 6,411,404	\$ 7,225,630	\$ 814,226
Noncurrent assets	5,733,504	5,961,336	227,832
<b>Total assets</b>	<b>\$ 12,144,908</b>	<b>\$ 13,186,966</b>	<b>\$ 1,042,058</b>
Current liabilities	\$ 3,055,307	\$ 3,484,702	\$ 429,395
Noncurrent liabilities	4,459,198	3,449,469	(1,009,729)
<b>Total liabilities</b>	<b>\$ 7,514,505</b>	<b>\$ 6,934,171</b>	<b>\$ (580,334)</b>
Net Assets			
Invested in capital assets - net of related debt	\$ 1,071,784	\$ 2,324,272	\$ 1,252,488
Restricted	608,526	129,221	\$ (479,305)
Unrestricted	2,950,093	3,799,302	\$ 849,209
<b>Total net position</b>	<b>\$ 4,630,403</b>	<b>\$ 6,252,795</b>	<b>\$ 1,622,392</b>
<b>Total liabilities and net position</b>	<b>12,144,908</b>	<b>13,186,966</b>	<b>\$ 1,042,058</b>

**Change in Net Position.** The results of this year's operations as a whole are reported in the Statement of Activities in the basic financial statements. Table 2 takes the information from that Statement and rearranges it slightly so that you can see total revenues for the year. The two largest general revenues are the formula-based state aid received from the Commonwealth of Pennsylvania and the local taxes assessed to property owners. A comparative analysis of the change in net assets is presented in Table 2 below.

Table 2  
Halifax Area School District  
Governmental Activities Changes in Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Governmental Activities	FY 2012-2013 Governmental Activities	INC / (DEC) Governmental Activities
<b>Revenue</b>			
Charges for services	\$ -	\$ -	\$ -
Operating grants and contributions	3,277,468	3,494,177	216,709
General Revenues			
Taxes	8,309,405	8,169,683	(139,722)
Grant, subsidies and contributions	5,336,952	5,319,143	(17,809)
Other	368,058	408,386	40,328
<b>Total revenues</b>	<b>17,291,883</b>	<b>17,391,389</b>	<b>99,506</b>
<b>Expenses</b>			
Depreciation - unallocated	0	0	-
Instruction	9,492,157	9,716,057	223,900
Instructional student support	1,037,402	1,037,064	(338)
Administration and financial support	2,098,127	2,168,667	70,540
Operation and maintenance of plant services	1,496,951	1,378,875	(118,076)
Pupil transportation	895,537	921,124	25,587
Student activities	360,472	358,478	(1,994)
Community services	117	-	(117)
Capital Outlay	-	-	-
Interest on long-term debt	132,245	119,258	(12,987)
<b>Total expenses</b>	<b>15,513,008</b>	<b>15,699,523</b>	<b>186,515</b>
<b>Changes in net position</b>	<b>\$ 1,778,875</b>	<b>\$ 1,691,866</b>	<b>\$ (87,009)</b>

Table 2 (Continued)  
Halifax Area School District  
Business-Type Activities Changes in Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Business-Type Activities	FY 2012-2013 Business-Type Activities	INC / (DEC) Business-Type Activities
<b>Revenue</b>			
Charges for services	\$ 261,310	\$ 269,683	\$ 8,373
Operating grants and contributions	228,865	250,583	21,718
Other	186,980	65,308	(121,672)
<b>Total revenues</b>	<b>677,155</b>	<b>585,574</b>	<b>(91,581)</b>
<b>Expenses</b>			
Food Service	655,660	655,048	(612)
<b>Changes in net position</b>	<b>\$ 21,495</b>	<b>\$ (69,474)</b>	<b>\$ (90,969)</b>

Table 2 (Continued)  
Halifax Area School District  
Total School District Changes in Net Position  
June 30, 2012 and June 30, 2013

	FY 2011-2012 Total School District	FY 2012-2013 Total School District	INC / (DEC) Total School District
<b>Revenue</b>			
Charges for services	\$ 261,310	\$ 269,683	\$ 8,373
Operating grants and contributions	3,506,333	3,744,760	238,427
<b>General Revenues</b>			
Taxes	8,309,405	8,169,683	(139,722)
Grant, subsidies and contributions	5,336,952	5,319,143	(17,809)
Other	555,038	473,694	(81,344)
<b>Total revenues</b>	<b>17,969,038</b>	<b>17,976,963</b>	<b>7,925</b>
<b>Expenses</b>			
Depreciation - unallocated	0	0	-
Instruction	9,492,157	9,716,057	223,900
Instructional student support	1,037,402	1,037,064	(338)
Administration and financial support	2,098,127	2,168,667	70,540
Operation and maintenance of plant services	1,496,951	1,378,875	(118,076)
Pupil transportation	895,537	921,124	25,587
Student activities	360,472	358,478	(1,994)
Community services	117	-	(117)
Capital Outlay	-	-	-
Interest on long-term debt	132,245	119,258	(12,987)
Food Service	655,660	655,048	(612)
<b>Total expenses</b>	<b>16,168,668</b>	<b>16,354,571</b>	<b>185,903</b>
<b>Changes in net position</b>	<b>\$ 1,800,370</b>	<b>\$ 1,622,392</b>	<b>\$ (177,978)</b>

## Financial Analysis of the Government's Funds

As noted earlier, the Halifax Area School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Government funds.** The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined ending fund balances of \$4,330,483, an increase in comparison with the prior year of \$3,589,993. The increase was attributed a healthcare settlement on premium overages of 758,823.58, nonuse of budgetary reserve, and a reduction in expenditures. The General Fund added \$1,219,795 of total available Fund balance for the year ended June 30, 2013. The total unrestricted unassigned Fund Balance, which is available for spending at the government's discretion, is \$2,010,663 as of June 30, 2013. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed or assigned.

The General Fund is the chief operating fund of the Halifax Area School District and provides 100% of the unreserved fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unrestricted unassigned fund balance represents approximately 12% of total general fund expenditures including transfers out for debt service.

**Proprietary funds.** The School District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of the end of the current fiscal year, the net position of the proprietary fund - Food Service were (\$33,815). Management continually reviews the operations of the Food Service Fund and the user charges (lunch prices) to ensure that there are adequate cash reserves to meet operating needs and that the Food Service Fund is a break-even operation. With the new health and fitness requirements this has become a difficult task. This past year as well as in the next year's budget, funds are required from the general fund to balance the budget to meet this unfunded mandate placed on schools.

## General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. Adjustments were made to the original budget this year to reflect changes.

Departmental differences between the original budgeted revenues and expenditures and the actual amounts can be briefly summarized as follows:

Budgeted revenues increased by \$46,568 due to increased tax revenues from earned income tax.

Budgeted expenditures decreased by \$1,113,403 due to administration spending limitations and reduction in healthcare cost.

Budgeted expenditures for Operating Transfers out to cafeteria fund stayed on target.

During the year, total revenues were more than budgetary estimates by \$46,268 and expenditures were less than budgetary estimates by \$1,113,403. The General Fund budget planned for a draw \$0.00 from fund balance. Due to the favorable revenues and expenditure variances, \$1,203,477 was added to the General Fund balance. As you will note in the discussion of the 2012-13 budget, the fund balance was not used to balance the School District 2012-13 budget. It was the Board's intent not to continue to deplete a declining fund balance reserve, but continue to minimize the tax increase for taxpayers.

## Capital Asset and Debt Administration

**Capital assets.** The School District's investment in capital assets for its governmental and business type activities as of June 30, 2013, is summarized in Table 3 below. The Construction-in-progress balance is 360,103 with some capital improvements in progress as of June 30, 2013. The District used remaining bond funds to cover roofing projects. The district continues to look at possible projects to generate savings such as performance bonds or pursue alternative energy sources and improvements.

The Board has approved a High School Middle School renovation project of \$20,000,000. The project will be funded by two bond issues of totaling 18,500,000 plus a grant was awarded for \$1,500,000. The project will be led certified implementing cost saving measures such as Geo-Thermal heat and cooling, energy saving lights and use of natural sun light. Project is projected to start June of 2013 and be completed by September of 2015. Project will require no tax increase as payments on new debt replace payments of expiring debt. There would be two years will debt would overlap but a wrap-around proposal will minimize cash flow concerns.

Collaboration of sharing in sports and educational activities should continue and possibly be expanded with Millersburg. In approximately four years the District will be debt free.

Through long-term planning, the Halifax Area School District has demonstrated its commitment to maintaining functional educational facilities that meet the needs of today's students, while also considering what is affordable for the community.

Table 3  
Halifax Area School District  
Capital Assets - Net of Depreciation  
June 30, 2013

	Governmental Activities	Business-Type Activities	Total School District
Bond issuance Cost - net	\$ 33,885	\$ -	\$ 33,885
Land and site improvements	18,896	-	18,896
Building and building improvements	5,280,892	-	5,280,892
Furniture and equipment	261,795	5,765	267,560
Construction-in-progress	360,103	-	360,103
Total Capital Assets - net of depreciation	\$ 5,955,571	\$ 5,765	\$ 5,961,336

**Long-term Debt.** At the end of the current fiscal year, the Halifax Area School District had total debt outstanding of \$4,565,517.

## **Strategic Plan**

The Halifax Area School District has updated the Strategic Plan that became effective September 2006. Included in this plan was an affirmation of our mission, which states that, "Halifax Area School District in a partnership with students, parents and community members will provide all students a safe, supportive and challenging environment in order to maximize individual learning potential. Students will be prepared to be lifelong learners and to be responsible, productive, and accountable citizens."

## **Economic Factors**

The School District's general obligation bond rating is a Standard & Poor's "A+". The bonds carry the commitment of Financial Security Assurance Inc. which assures payment of principal and interest to the holders of bonds.

Under the Local Government Unit Debt Act, the School District's outstanding debt may not exceed 225% of the borrowing base. The borrowing base is defined as the average three years of total revenues as defined in the Act. Currently, the Halifax Area School District has used \$11.9 million of its \$39.335 million total borrowing capacity.

## **2013-14 Budget and Tax Rates**

A two-year comparison of the General Fund budget is provided in Table 4 below. The development of the 2013-2014 annual budget for Halifax Area School District is the result of many hours of hard work, which involves many employees of the school and the Board of Education. The School District continues to make improvements in education, technology, and facilities. The current feasibility study is continually reviewed to assist the Board and Administration in defining the educational direction for future development of the school district to meet the needs of students, faculty, and the community. The District in 2013-2014 school year will continue to look at increasing collaborative efforts with Millersburg Area School District. A District financial plan is being developed to accomplish our future growth. The implementation of GASB 34, NCLB, Act 1, and now GASB 45 has added to this challenge. There are many important decisions to make and it will take cooperation from all parties involved to make the financial plan a success.

Revenues are \$17,769,972 and expenditures \$17,919,060 by using fund balance of \$149,088 we were able to balance the budget with no tax increase. Revenue stayed study for state subsidy. Our current mills are at 20.45. We will continue to receive level funding from the state's equalized subsidy for basic education and special education funding. Federal revenue was decreased. The unrestricted unassigned fund balance for the School District will be approximately 10% of this annual budget and will be available for future emergency use.



Table 4  
Halifax Area School District  
2013-2014 Budget  
June 30, 2013

DESCRIPTION	Proposed 2012-2013	Proposed 2013-2014	Proposed Change	Percent Change
Personnel services - salaries	\$ 8,015,006	\$ 8,044,045	\$ 29,039	0.36
Personnel services - benefits	4,012,202	4,314,184	301,982	7.53
Purchased professional and technical services	594,348	568,496	(25,852)	(4.35)
Purchased property services	492,827	470,909	(21,918)	(4.45)
Other purchased services	2,331,829	2,388,993	57,164	2.45
Supplies	751,279	724,366	(26,913)	(3.58)
Property	131,965	201,610	69,645	52.78
Other objects	143,173	95,509	(47,664)	(33.29)
Other financing uses	1,100,913	1,110,948	10,035	0.91
<b>Total expenses</b>	<b>\$ 17,573,542</b>	<b>\$17,919,060</b>	<b>\$ 345,518</b>	<b>1.97</b>
Local revenue	8,762,384	8,749,015	(13,369)	(0.15)
State revenue	8,344,108	8,591,739	247,631	2.97
Federal revenue	467,050	429,218	(37,832)	(8.10)
Other revenue	-	-	-	-
<b>Total revenue</b>	<b>\$ 17,573,542</b>	<b>\$17,769,972</b>	<b>\$ 196,430</b>	<b>1.12</b>
<b>Total excess (deficit)</b>	<b>\$ -</b>	<b>\$ (149,088)</b>		

## Labor Relations

The “professional staff” of the Halifax Area School District is represented by the Halifax Education Association (HEA), an affiliation of the Pennsylvania State Teachers Association (PSEA). This group, which represents approximately 102 of the School District’s 220 staff, has the responsibility of bargaining for these employees. A new 5 year agreement was reached in October of 2011. The teacher salary increases were froze for a one year agreement for the 2011-2012 school year. The new 5 year agreement has a second freeze for 2012-2013 with future increase tied to the base index for 2013-2014, 2014-2015, 2015-2016, and 2016-2017.

The “support staff” of the Halifax Area School District is represented by the Halifax Education Support Personnel Association (HESPA, an affiliate of the Pennsylvania State Teachers Association (PSEA). This group represents approximately 111 clerical employees, custodial employees, maintenance employees, instructional and non-instructional assistants, and cafeteria employees. A settlement was reached in December 2010 for a new 5 year contract that will expire in June 2015.

## Enrollment Trends

Halifax Area School District enrollment levels have been relatively flat to a slight decrease for the last five years as indicated below:

	Total Enrollment
2000-01	1298
2001-02	1310
2002-03	1283
2003-04	1274
2004-05	1243
2005-06	1256
2006-07	1230
2007-08	1247
2008-09	1238
2009-10	1246
2010-11	1212
2011-12	1187
2012-13	1142

The current enrollment for 2013-14 is 1102 students. The School District will be studying the impact of large housing developments starting in the near future as well as Federal and State mandates for program improvement and expansion due to the Elementary-Secondary Education Act of 2004 (NCLB) as it considers the need for more space.

## **Request for Information**

This financial report is designed to provide a general overview of the finances of the Halifax Area School District for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Michael L. Bower, Business Manager, 3940 Peters Mountain Road, Halifax, Pennsylvania, 17032.

**HALIFAX AREA SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2013**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 5,407,829	\$ 120,418	\$ 5,528,247
Taxes receivable, net	988,144	0	988,144
Intergovernmental receivables	625,656	3,805	629,461
Due from other funds	200	0	200
Inventories	9,855	39,685	49,540
Other current assets	28,628	1,410	30,038
<b>TOTAL CURRENT ASSETS</b>	<b>7,060,312</b>	<b>165,318</b>	<b>7,225,630</b>
<b>NON-CURRENT ASSETS</b>			
Bond issuance costs - net of accumulated amortization of \$44,092.	33,885	0	33,885
Land and site improvements - net of accumulated depreciation	18,896	0	18,896
Building and building improvements - net of accumulated depreciation	5,280,892	0	5,280,892
Furniture, equipment, and automobiles - net of accumulated depreciation	261,795	5,765	267,560
Construction in Progress	360,103	0	360,103
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,955,571</b>	<b>5,765</b>	<b>5,961,336</b>
<b>TOTAL ASSETS</b>	<b>13,015,883</b>	<b>171,083</b>	<b>13,186,966</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 13,015,883</b>	<b>\$ 171,083</b>	<b>\$ 13,186,966</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 588,828	\$ 0	\$ 588,828
Internal balances	(169,071)	169,071	0
Intergovernmental payables	234,281	0	234,281
Accrued salaries and benefits	1,452,003	15,102	1,467,105
Current portion of long-term debt	1,116,048	0	1,116,048
Deferred revenues	0	20,725	20,725
Accrued interest	57,715	0	57,715
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,279,804</b>	<b>204,898</b>	<b>3,484,702</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt - net of current maturities	2,494,516	0	2,494,516
Long-term portion of compensated absences	744,918	0	744,918
Long-term portion of other postemployment benefits	210,035	0	210,035
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,449,469</b>	<b>0</b>	<b>3,449,469</b>
<b>TOTAL LIABILITIES</b>	<b>6,729,273</b>	<b>204,898</b>	<b>6,934,171</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	2,318,507	5,765	2,324,272
Restricted	129,221	0	129,221
Unrestricted (Deficit)	3,838,882	(39,580)	3,799,302
<b>TOTAL NET POSITION</b>	<b>6,286,610</b>	<b>(33,815)</b>	<b>6,252,795</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 13,015,883</b>	<b>\$ 171,083</b>	<b>\$ 13,186,966</b>

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

# HALIFAX AREA SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
Instruction	\$ 9,716,057	\$ 0	\$ 2,506,635	\$ (7,209,422)	\$ 0	\$ (7,209,422)
Instructional student support	1,037,064	0	71,116	(965,948)	0	(965,948)
Administrative and financial support services	2,168,667	0	97,873	(2,070,794)	0	(2,070,794)
Operation and maintenance of plant services	1,378,875	0	33,828	(1,345,047)	0	(1,345,047)
Pupil transportation	921,124	0	680,755	(240,369)	0	(240,369)
Student activities	358,478	0	12,384	(346,094)	0	(346,094)
Community services	0	0	0	0	0	0
Interest on long-term debt	119,258	0	91,586	(27,672)	0	(27,672)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>15,699,523</u>	<u>0</u>	<u>3,494,177</u>	<u>(12,205,346)</u>	<u>0</u>	<u>(12,205,346)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Food services	655,048	269,683	250,583	0	(134,782)	(134,782)
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>16,354,571</u>	<u>269,683</u>	<u>3,744,760</u>	<u>(12,205,346)</u>	<u>(134,782)</u>	<u>(12,340,128)</u>
<b>GENERAL REVENUES AND TRANSFERS</b>						
Taxes:						
Property taxes, levied for general purposes, net				6,179,461	0	6,179,461
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				1,990,222	0	1,990,222
Grants, subsidies, and contributions not restricted				5,319,143	0	5,319,143
Investment earnings				11,501	94	11,595
Miscellaneous				456,885	5,214	462,099
Transfers				(60,000)	60,000	0
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<u>13,897,212</u>	<u>65,308</u>	<u>13,962,520</u>
<b>CHANGE IN NET POSITION</b>				1,691,866	(69,474)	1,622,392
<b>NET POSITION - BEGINNING</b>				<u>4,594,744</u>	<u>35,659</u>	<u>4,630,403</u>
<b>NET POSITION - ENDING</b>				<u>\$ 6,286,610</u>	<u>\$ (33,815)</u>	<u>\$ 6,252,795</u>

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

# HALIFAX AREA SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	Capital Projects	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash	\$ 5,058,749	\$ 349,079	\$ 5,407,828
Taxes receivable, net	988,144	0	988,144
Due from other funds	169,271	63,533	232,804
Intergovernmental receivables	625,656	0	625,656
Other receivables	28,628	0	28,628
Inventories	9,856	0	9,856
<b>TOTAL ASSETS</b>	<u>6,880,304</u>	<u>412,612</u>	<u>7,292,916</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 6,880,304</u>	<u>\$ 412,612</u>	<u>\$ 7,292,916</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ 63,533	\$ 0	\$ 63,533
Accounts payable	305,437	283,391	588,828
Intergovernmental payables	234,281	0	234,281
Accrued salaries and benefits	1,452,003	0	1,452,003
Deferred revenue	640,103	0	640,103
<b>TOTAL LIABILITIES</b>	<u>2,695,357</u>	<u>283,391</u>	<u>2,978,748</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Restricted for capital projects	0	129,221	129,221
Nonspendable fund balance	9,855	0	9,855
Committed fund balance	2,180,744	0	2,180,744
Unassigned fund balance	1,994,348	0	1,994,348
<b>TOTAL FUND BALANCES</b>	<u>4,184,947</u>	<u>129,221</u>	<u>4,314,168</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 6,880,304</u>	<u>\$ 412,612</u>	<u>\$ 7,292,916</u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

**GOVERNMENTAL FUNDS**

**AS OF JUNE 30, 2013**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 4,314,168**

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported as assets in  
governmental funds.

Cost of capital assets	14,276,492
Less: accumulated depreciation	(8,354,806)

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

Compensated absences	(810,018)
Extended term financing agreements payable	(570,464)
Bonds payable	(2,975,000)
Other postemployment benefits	(210,035)

Delinquent personal and property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	640,103
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Governmental funds report debt issuance costs and debt issuance premiums and discounts as an other financing source or use at the time of issuance. These items are reported as an unamortized asset or liability in the District-wide financial statements.	33,885
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Governmental funds do not report a liability for accrued interest until due and payable.	<u>(57,715)</u>
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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 6,286,610**

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

**ALL GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Local sources	\$ 8,806,793	\$ 4,862	\$ 8,811,655
State sources	8,405,120	0	8,405,120
Federal sources	408,199	0	408,199
<b>TOTAL REVENUES</b>	<u>17,620,112</u>	<u>4,862</u>	<u>17,624,974</u>
<b>EXPENDITURES</b>			
Instruction	9,406,839	0	9,406,839
Support services	5,471,058	0	5,471,058
Non-instructional services	350,700	0	350,700
Capital outlay	0	484,167	484,167
Debt service	1,127,188	0	1,127,188
Refund prior year receipts	3,730	0	3,730
<b>TOTAL EXPENDITURES</b>	<u>16,359,515</u>	<u>484,167</u>	<u>16,843,682</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,260,597</u>	<u>(479,305)</u>	<u>781,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	(60,000)	0	(60,000)
Proceeds from sale of fixed assets	2,883	0	2,883
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(57,117)</u>	<u>0</u>	<u>(57,117)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,203,480</u>	<u>(479,305)</u>	<u>724,175</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>2,981,467</u>	<u>608,526</u>	<u>3,589,993</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,184,947</u>	<u>\$ 129,221</u>	<u>\$ 4,314,168</u>

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



**HALIFAX AREA SCHOOL DISTRICT**

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

**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 724,175</b>
Because some property taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the government funds.	19,007
Because some earned income taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the government funds.	(184,249)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,023,357
Amortization of bond issuance costs and debt issuance premiums and discounts is recognized in the period incurred in the governmental funds but is amortized in the Statement of Activities.	(12,996)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(52,257)
Other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(54,062)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	(11,696)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	624,142
Depreciation expense is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(383,555)</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,691,866</u></b>

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

**HALIFAX AREA SCHOOL DISTRICT**

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

**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local sources	\$ 8,762,385	\$ 8,762,385	\$ 8,806,793	\$ 44,408
State sources	8,344,109	8,344,109	8,405,120	61,011
Federal sources	467,050	467,050	408,199	(58,851)
<b>TOTAL REVENUES</b>	<u>17,573,544</u>	<u>17,573,544</u>	<u>17,620,112</u>	<u>46,568</u>
<b>EXPENDITURES</b>				
Regular programs	7,259,561	7,259,561	6,703,559	556,002
Special programs	1,946,319	1,946,319	1,885,239	61,080
Vocational programs	517,637	517,637	503,042	14,595
Other instructional programs	35,875	35,875	28,186	7,689
Community/junior college education programs	128,310	128,310	125,848	2,462
Pre-kindergarten programs	173,250	173,250	160,964	12,286
Pupil personnel services	793,855	793,855	712,785	81,070
Institutional staff services	374,936	374,936	315,501	59,435
Administrative services	1,257,521	1,257,521	1,155,166	102,355
Pupil health	235,542	235,542	198,060	37,482
Business services	493,886	493,886	426,919	66,967
Operation and maintenance of plant services	1,558,212	1,558,212	1,325,761	232,451
Student transportation services	915,500	915,500	921,124	(5,624)
Central and other support services	258,895	258,895	406,757	(147,862)
Other support services	9,500	9,500	8,986	514
Student activities	385,631	385,631	350,700	34,931
Refund of prior year expenditures	0	0	3,730	(3,730)
Debt service (principal and interest)	1,128,488	1,128,488	1,127,188	1,300
<b>TOTAL EXPENDITURES</b>	<u>17,472,918</u>	<u>17,472,918</u>	<u>16,359,515</u>	<u>1,113,403</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	<u>100,626</u>	<u>100,626</u>	<u>1,260,597</u>	<u>1,159,971</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	(60,000)	(60,000)	(60,000)	0
Budgetary Reserve	(40,623)	(40,623)	0	40,623
Proceeds from sale of fixed assets	0	0	2,883	2,883
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(100,623)</u>	<u>(100,623)</u>	<u>(57,117)</u>	<u>43,506</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>3</u>	<u>3</u>	<u>1,203,480</u>	<u>1,203,477</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,140,255</u>	<u>2,140,255</u>	<u>2,981,467</u>	<u>841,212</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,140,258</u>	<u>\$ 2,140,258</u>	<u>\$ 4,184,947</u>	<u>\$ 2,044,689</u>

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

HALIFAX AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Food Service</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 120,418
Due from other governments	3,805
Inventories	39,685
Other current assets	<u>1,410</u>
<b>TOTAL CURRENT ASSETS</b>	<u>165,318</u>
<b>NON-CURRENT ASSETS</b>	
Machinery and equipment	220,949
Less: accumulated depreciation	<u>(215,184)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>5,765</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 171,083</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Due to other funds	\$ 169,071
Accrued salaries and benefits	<u>15,102</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>184,173</u>
<b>NONCURRENT LIABILITIES</b>	
Deferred revenues - commodities	12,899
Deferred revenues - student payments	<u>7,826</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>20,725</u>
<b>TOTAL LIABILITIES</b>	204,898
<b>DEFERRED INFLOWS OF RESOURCES</b>	0
<b>NET POSITION</b>	
Invested in capital assets - net of related debt	5,765
Unrestricted (Deficit)	<u>(39,580)</u>
<b>TOTAL NET POSITION</b>	<u><u>(33,815)</u></u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 171,083</u></u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Food Service</u>
<b>OPERATING REVENUES</b>	
Food service revenues	\$ 269,683
Other operating revenues	5,214
<b>TOTAL OPERATING REVENUES</b>	<u>274,897</u>
<b>OPERATING EXPENSES</b>	
Personal services - salaries	214,549
Personal services - employee benefits	145,951
Purchased property services	3,541
Supplies	288,752
Depreciation	1,397
Other operating expenses	858
<b>TOTAL OPERATING EXPENSES</b>	<u>655,048</u>
<b>OPERATING (LOSS)</b>	(380,151)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	94
State sources	40,230
Federal sources	210,353
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>250,677</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>	
Transfers in (out)	60,000
<b>TOTAL CONTRIBUTIONS AND TRANSFERS</b>	<u>60,000</u>
<b>CHANGE IN NET POSITION</b>	(69,474)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>35,659</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (33,815)</u></u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Food Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and intergovernments	\$ 381,856
Cash paid to employees for services	(360,500)
Cash paid to suppliers for goods and services	(293,151)
<b>NET CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>(271,795)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State sources	40,230
Federal sources	210,353
Operating transfers in (out)	60,000
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>310,583</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Fixed Assets for Cash	(1,638)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on investments	<u>94</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	37,244
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>83,174</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 120,418</u>
<b>OPERATING (LOSS)</b>	\$ (380,151)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES:</b>	
Depreciation	1,397
Changes in current assets and current liabilities	
Decrease (Increase) in inventories	(4,020)
Decrease (Increase) in due from other governments	166
Decrease (Increase) in due from other funds	33,365
Decrease (Increase) in other current assets	(643)
Increase (Decrease) in accrued salaries and benefits	2,736
Increase (Decrease) in advances from other funds	75,185
Increase (Decrease) in deferred revenue	170
<b>TOTAL ADJUSTMENTS</b>	<u>108,356</u>
<b>TOTAL CASH (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (271,795)</u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>ASSETS</b>			
Cash	\$ 33,303	\$ 77,477	\$ 110,780
<b>TOTAL ASSETS</b>	<u>33,303</u>	<u>77,477</u>	<u>110,780</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 33,303</u>	<u>\$ 77,477</u>	<u>\$ 110,780</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Other current liabilities	\$ 0	\$ 77,477	\$ 77,477
Due to other funds	<u>200</u>	<u>0</u>	<u>200</u>
<b>TOTAL LIABILITIES</b>	<u>200</u>	<u>77,477</u>	<u>77,677</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET POSITION</b>			
Unrestricted	<u>33,103</u>	<u>0</u>	<u>33,103</u>
<b>TOTAL NET POSITION</b>	<u>33,103</u>	<u>0</u>	<u>33,103</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 33,303</u>	<u>\$ 77,477</u>	<u>\$ 110,780</u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Other additions	\$ 10,514
<b>TOTAL ADDITIONS</b>	<u>10,514</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	828
<b>TOTAL DEDUCTIONS</b>	<u>828</u>
<b>CHANGE IN NET POSITION</b>	<u>9,686</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>23,417</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 33,103</u></u>

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

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

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

The financial statements include:

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



**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**REPORTING ENTITY**

Halifax Area School District's financial statements include the operations of all entities for which the School Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Halifax Area School District is the lowest level of government which has oversight responsibility and control over all activities related to public school education in the Commonwealth of Pennsylvania. The District receives funding from local, state and federal government sources and must comply with the requirements of these source entities. However, the District is not included in any other governmental "reporting entity" since the School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Additionally, the District does not exercise oversight responsibility over any other entities, and consequently, no other entities have been included in the accompanying financial statements.

**BASIS OF PRESENTATION**

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**BASIS OF PRESENTATION - continued**

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

- Direct Expenses are those that are clearly identifiable with a specific program.
- Program revenues include 1) charges to students or recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.
- Taxes and other items not properly included among program revenues are reported as general revenues.

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

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

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**BASIS OF PRESENTATION - continued**

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

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund. Revenues are primarily derived from local property, earned income, per capita and occupational taxes, and state and federal distributions. Many of the more important activities of the School District, including instruction, administration of the School District and certain non-instructional services are accounted for in this fund.

The Capital Projects Fund is utilized for the completion of capital projects or expenditures. This fund is included in the financial statements as a Special Revenue Fund.

The District operates one enterprise fund, the Food Service Fund. This fund accounts for the activities of the District's food service program.

Proprietary funds distinguish operating revenues and expenses from non-operation items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**BASIS OF PRESENTATION - continued**

The School District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures, which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.), are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The School District accounts for assets held by the District in a trustee capacity in four private-purpose trust funds.

The D.C. Millard Fund accounts for the award of medals to an honor student annually.

The "Volley for a Cure" Award Fund provides for an annual award of \$100 to a Senior Female Student that meets award criteria.

The Osman Trust Fund accounts for the annual award of interest income earned on an initial investment of \$10,000. to a graduating senior of Halifax Area High School. The award is to be used for the purchase of books and materials used in obtaining a college degree. The award shall be paid upon presentation to school officials of appropriate receipts, bills, or invoices incurred for such purpose.

The Peggy Herb Scholarship Fund, established in June 2009, annually awards the income earned to a senior student who meets award criteria.

The Swim Team Award, established during 2009/2010, annually awards \$100. to a senior student who meets award criteria.

The Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. A portion of the Activity Fund is an Agency Fund which is separate from other Agency Funds because of legal requirements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are also accounted for using the modified accrual basis of accounting.

## **HALIFAX AREA SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - continued**

**FOR THE YEAR ENDED JUNE 30, 2013**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **BASIS OF ACCOUNTING**

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

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

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

##### **BUDGETING**

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements.

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**BUDGETING - continued**

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the Administrative Office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when the final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

**DEPOSITS AND INVESTMENTS**

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

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**TAXES ASSESSED**

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

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Tax Levy</u>
Real Estate - Dauphin County	20.45 mills	\$ 6,441,173
Occupation Tax - Act 511	\$250.00/person	1,223,750
Per Capita Tax - Act 511	\$ 5.00/person	29,375
Per Capita Tax - Section 679	\$ 5.00/person	29,375
<b>Total Assessed Valuation</b>		<b>\$ <u>7,723,673</u></b>

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

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

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

**INVENTORY**

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

**COMPENSATED ABSENCES**

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



**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

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

**Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

**NET ASSETS**

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

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 2 - DEPOSITS AND INVESTMENTS:**

**DEPOSITS**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. At June 30, 2013, the carrying amount of the District's deposits was \$5,639,026. and the bank balance was \$5,810,694. Of the bank balance, \$877,212. was covered by federal depository insurance, and \$4,778,995. was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the District's name. It should be noted that the District's deposits are collateralized in accordance with Pennsylvania Act 72.

A portion of the District's deposits (\$154,487) are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Commonwealth of Pennsylvania Treasurer's INVEST Program for Local Governments. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT and INVEST act like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1. per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

**INVESTMENTS**

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds. As of June 30, 2013, the District had no investments.

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

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 2 - DEPOSITS AND INVESTMENTS - continued**

**INVESTMENTS - continued**

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the District to limit its interest rate risk by investing in securities with maturity dates under one year.

**Custodial Credit Risk**

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

**Credit Risk**

The District has no investment policy that would limit its investment choices to those with certain credit ratings. As of June 30, 2013, PSDLAF, PLGIT, INVEST, FHLBs, FHLMCs, and FNMA were rated as AAA by a nationally recognized statistical rating organization.

**Concentration Risk**

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

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 3 - CAPITAL ASSETS:**

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

	Balance June 30, 2012	Net Additions (Deductions)	Balance June 30, 2013
<b>Governmental Activities:</b>			
Capital Assets, Being Depreciated:			
Land (including site improvements)	\$ 504,842	\$ 0	\$ 504,842
Buildings and Improvements	10,977,341	314,152	11,291,493
Furniture, Equipment, and Vehicles	2,049,116	70,938	2,120,054
Total Capital Assets, Being Depreciated	13,531,299	385,090	13,916,389
Accumulated Depreciation For:			
Land (including site improvements)	(475,462)	(10,484)	(485,946)
Buildings and Improvements	(5,704,880)	(305,721)	(6,010,601)
Furniture, Equipment, and Vehicles	(1,790,909)	(67,350)	(1,858,259)
Total Accumulated Depreciation	(7,971,251)	(383,555)	(8,354,806)
Construction in Progress	121,051	239,052	360,103
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$ 5,681,099</b>	<b>\$ 240,587</b>	<b>\$ 5,921,686</b>
<b>Business-type Activities:</b>			
Furniture/Equipment	\$ 219,311	\$ 1,638	\$ 220,949
Less: Accumulated Depreciation	(213,787)	(1,397)	(215,184)
<b>Business-type Activities - Capital Assets, Net</b>	<b>\$ 5,524</b>	<b>\$ 241</b>	<b>\$ 5,765</b>

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

Depreciation Allocation	Amount
<b>Governmental Activities:</b>	
Instructional	\$ 218,205
Instructional Student Support	15,297
Administration and Financial Support	19,094
Operations and Maintenance of Plant Services	123,181
Student Activities	7,778
Total Governmental Activities	383,555
<b>Business-Type Activities:</b>	
Food Service	1,397
<b>Total School District</b>	<b>\$ 384,952</b>

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 3 - CAPITAL ASSETS - continued**

The School District capitalizes the interest expense on debt incurred to construct capital projects during the construction phase. Upon completion of the projects, related costs are transferred into the General Fixed Assets.

**NOTE 4 - ACCRUED SALARIES AND BENEFITS:**

Accrued salaries and benefits recorded in the General Fund at June 30, 2013, consist of the following:

Accrued Salaries	\$ 650,480
Retirement	262,077
Social Security and Medicare	69,923
Workers Compensation	4,065
Payroll Deductions and Withholdings	135,718
Health Insurance	296,640
Retirement Incentive 403B District Contribution	33,100
	<u>\$ 1,452,003</u>

Accrued salaries represent teachers' salaries earned during the 2012-2013 school year, which were paid subsequent to June 30, 2013. Accrued retirement represents the Public School Employees' Retirement Board contribution for the second quarter of calendar year 2013 and for accrued salaries at June 30, 2013.

Accrued social security represents the District's liability on accrued salaries at June 30, 2013.

Accrued health insurance represents the District's liability for professional employees for July and August 2013.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT:**

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

	Compensated Absences	General Obligation Bonds	Municipal Suntrust Lease	Other Post Employment Benefits	Total
Balance - July 1, 2012	\$ 757,761	\$ 3,940,000	\$ 628,821	\$ 155,973	\$ 5,482,555
Increases	52,257	0	0	139,436	191,693
Decreases	0	(965,000)	(58,357)	(85,374)	(1,108,731)
Balance - June 30, 2013	<u>\$ 810,018</u>	<u>\$ 2,975,000</u>	<u>\$ 570,464</u>	<u>\$ 210,035</u>	<u>\$ 4,565,517</u>
Current Maturities of Long-Term Debt	\$ 65,100	\$ 990,000	\$ 60,948	\$ 0	\$ 1,116,048

**COMPENSATED ABSENCES**

Under the terms of the School District's employment policies, employees are reimbursed for accrued vacation upon retirement or other termination of employment. The reimbursement rate is established by the employment contract and varies by employee classification. In addition, employees are granted sick days per school year and any unused sick days are permitted to be carried over to future years. Upon retirement from the School District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by a pre-established amount per the employment contract. The employees are also offered options regarding retirement payouts as prescribed in the contract if certain conditions are met.

**GENERAL OBLIGATION BONDS - SERIES OF 2009**

On November 10, 2009, the School District issued General Obligation Bonds - Series of 2009 in the principal amount of \$3,080,000. The proceeds were used to advance refund the School District's General Obligation Bonds - Series of 2003 in the amount of \$1,095,000., advance refund the School District's General Obligation Bonds - Series of 2004 in the amount of \$1,935,000., and pay the costs of the issuing the bonds. Annual payments are due through September 2015 at interest rates varying between 1.00% to 2.50%.

\$1,355,000.  
=====

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT - continued**

**GENERAL OBLIGATION BONDS - SERIES OF 2010**

On March 22, 2010, the School District issued General Obligation Bonds - Series of 2010 in the principal amount of \$2,500,000. The proceeds were used towards acquiring, designing, constructing, furnishing and equipping alterations, renovations, and other improvements to the District's existing school buildings and related facilities, land acquisition, and paying the costs of issuing the bonds. Annual payments are due through September 2015 at an interest rate of 2.00%.

\$1,620,000.

=====

**MUNICIPAL SUNTRUST LEASE**

On March 27, 2006, the School District entered into a bank qualified escrow lease agreement in the principal amounts of \$949,922. The proceeds are to be used to: (1) establish a special escrow account designated as the "Equipment Acquisition Fund," the escrow agent shall keep such equipment acquisition fund separate and apart from all other funds and moneys held by it and shall administer such equipment acquisition fund as provided in the escrow agreement, (2) pay the acquisition cost of each item of equipment, within a reasonable time of receipt with respect thereto of a payment request form executed by lessor and lessee. Upon receipt of payment request form executed by lessor and lessee, an amount equal to the acquisition cost as shown therein shall be paid directly by escrow agent to the person or entity entitled to payment as specified therein, and (3) invest and reinvest by escrow agent only in qualified investments. Such investments shall be registered in the name of escrow agent and held by escrow agent for the benefit of lessor or lessee. Any income received on such investments shall be credited to the equipment acquisition fund and any loss on such investments shall be charged to the equipment acquisition fund. The rental payments are due and payable by lessee in annual principal installments ranging from \$46,964. and \$82,607. through September 29, 2020. Annual interest installments range from \$3,668. to \$39,311. through September 29, 2020.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 5 - CHANGES IN GENERAL LONG-TERM DEBT - continued**

**OTHER POST EMPLOYMENT BENEFITS**

The District also provides other postemployment benefits as more fully discussed in Note 14. Total liability at June 30, 2013 was \$210,035.

The District is in compliance with all debt covenants of the outstanding issues. The covenants include the following: the School District shall include the annual debt service in its budget for the fiscal year; shall appropriate those amounts from its general revenues; and shall punctually cause the payment of the principal and interest of all obligations.

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

Year Ending June 30,	General Obligation Bonds Series of 2009	General Obligation Bonds Series of 2010	Municipal Suntrust Lease	Total
2014	\$ 629,813	\$ 413,550	\$ 86,275	\$ 1,129,638
2015	630,120	410,800	86,275	1,127,195
2016	131,492	853,450	86,275	1,071,217
2017	0	0	86,275	86,275
2018	0	0	86,275	86,275
2019-2021	0	0	258,825	258,825
<b>Total</b>	<b>1,391,425</b>	<b>1,677,800</b>	<b>690,200</b>	<b>3,759,425</b>
Less: Interest Expense	(36,425)	(57,800)	(119,736)	(213,961)
<b>Outstanding Principal</b>	<b>\$ 1,355,000</b>	<b>\$ 1,620,000</b>	<b>\$ 570,464</b>	<b>\$ 3,545,464</b>

**NOTE 6 - RISK MANAGEMENT AND LITIGATION:**

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



## **HALIFAX AREA SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS - continued**

**FOR THE YEAR ENDED JUNE 30, 2013**

#### **NOTE 7 - PENSION PLAN:**

##### **PLAN DESCRIPTION**

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

##### **FUNDING POLICY**

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class TC) or at 6.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the System after June 30, 2001 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%. Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2013, the rate of employer's contribution was 12.36 percent of covered payroll. The 12.36 percent rate is composed of a pension contribution rate of 11.50 percent for pension benefits and .86 percent for healthcare insurance premium assistance. The employer and Commonwealth share such cost. The District's net contributions to the System for the years ended June 30, 2013, 2012, and 2011, were \$424,519., \$299,298., and \$209,576., respectively, equal to the required contributions for each year.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 8 - AFFILIATES:**

**DAUPHIN COUNTY AREA VOCATIONAL-TECHNICAL SCHOOL**

The Dauphin County Area Vocational-Technical School (Vo-Tech School) is a separate legal entity. The School provides vocational-technical training and education to participating students of the member districts. Halifax Area School District is one of six member school districts in Dauphin County which provides direct oversight of the Dauphin County Area Vocational-Technical School. Each participating school district has a representative on the Board, which controls and governs the School. Total payments of \$495,947. were made by the School District to the Vo-Tech School as the District's share of operating expenses for the year ended June 30, 2013. Such expenses are pro-rated to affiliated member districts based upon student enrollments. Complete financial information can be obtained from Dauphin County Area Vocational-Technical School, 6001 Locust Lane, Harrisburg, PA 17109-5631.

On April 15, 1989, the Dauphin County Area Vocational-Technical School Authority issued a \$1,000,000. School Revenue Note - Series of 1989 for renovations and additions to the facilities and equipment of the Dauphin County Area Vocational-Technical School. Total payments of \$57,889. were made by the School District to the Vo-Tech School as the former's share of this project for the year ended June 30, 2013.

**CAPITAL AREA INTERMEDIATE UNIT (CAIU)**

The CAIU Board of Directors consists of 13 members from the IU's 24 constituent School Districts. The CAIU Board members are school district board members, who are elected by the public, and are appointed to the CAIU board by the member Districts' boards of directors. The CAIU board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Halifax Area School District contracts with CAIU for special education services for District students and educational courses for teachers and administrators. Complete financial information for CAIU can be obtained from the Administrative Office at P.O. Box 489, Summerdale, PA 17093.

**NOTE 9 - SELF-INSURANCE:**

The District established a dental self-insurance plan for District employees and their covered dependents to minimize the total cost of dental health insurance to the District. This program is for the benefit of all District employees and their covered dependents. This program is accounted for in the General Fund. As of June 30, 2013, the District has paid all dental claims.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 10 - TAXES RECEIVABLE, DEFERRED REVENUES AND ESTIMATED UNCOLLECTIBLE TAXES:**

A summary of the taxes receivable and related accounts at June 30, 2013 follows:

Uncollected Taxes	\$ 1,413,238
Estimated Uncollectible Taxes	425,094
<b>Taxes Receivable, Net</b>	<b>\$ <u>988,144</u></b>
 Taxes to be Collected Within 60 Days	 \$ 348,041
Deferred Revenues - Delinquent Taxes	640,103
<b>Taxes Receivable, Net</b>	<b>\$ <u>988,144</u></b>
 Deferred Revenues:	
General Fund	
Delinquent Taxes	\$ 640,103
Cafeteria Fund	
Student/Teacher Lunch Accounts	7,826
Donated Commodities	12,899
<b>Total Deferred Revenues</b>	<b>\$ <u>660,828</u></b>

**NOTE 11 - INTERFUND ACTIVITY:**

Individual fund receivable and payable balances at June 30, 2013, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities - General Fund	\$ 169,271	\$ 0
Business-Type Activities - Food Service	0	169,071
Fiduciary Fund Type Activities -		
Private Purpose Trust	0	200
<b>Total All Funds</b>	<b>\$ <u>169,271</u></b>	<b>\$ <u>169,271</u></b>

All balances are considered current and payable within one year.

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 11 - INTERFUND ACTIVITY - continued**

Operating fund transfers in and out amounts, which were utilized for operating expenses), for the year ended June 30, 2013, are as follows:

	Transfers In	Transfers Out
Governmental Activities - General Fund	\$ 0	\$ 60,000
Business-Type Activities - Food Service	60,000	0
<b>Total All Funds</b>	<u>\$ 60,000</u>	<u>\$ 60,000</u>

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

PLAN DESCRIPTION

The Halifax Area School District Retiree Health Care Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the School Board. The Plan provides postemployment healthcare benefits to eligible retirees of the District in accordance with the various labor contracts and personnel policies. At July 1, 2011, 15 retired employees were eligible to participate. Inasmuch as the Plan has no assets, reporting an other employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

FUNDING POLICY

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

**FUNDING POLICY - continued**

The District may contribute the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2013, the District made no contributions and instead elected to continue funding on a *pay-as-you-go* basis, which amounted to \$85,374. for 2013. These costs are recognized as an expense when claims or premiums are paid.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

For 2013, the components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan were as follows:

Annual Required Contribution	\$ 141,992
Interest on Net OPEB Obligation	7,019
Adjustment to Annual Required Contribution	(9,575)
Annual OPEB Cost	<u>139,436</u>
Contributions or Payments Made	(85,374)
Increase in Net OPEB Obligation	<u>54,062</u>
Net OPEB Obligation, Beginning of Year	155,973
<b>Net OPEB Obligation, End of Year</b>	<b><u>\$ 210,035</u></b>
Percentage of Annual OPEB Cost Contributed	<u>60.13%</u>

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the Plan as of July 1, 2011, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,144,826
Actuarial Value of Assets	0
Unfunded AAL (UAAL)	<u>\$ 1,144,826</u>
 Funded Ratio	 <u>0.00%</u>
 Covered Payroll	 <u>\$ 6,702,994</u>
 UAAL as Percentage of Covered Payroll	 <u>17.08%</u>

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

**ACTUARIAL METHODS AND ASSUMPTIONS – continued**

In the July 1, 2011, actuarial valuation, the individual entry age normal actuarial cost method was used. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 8.5% in the short-term to 5% in the long-term for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

**NOTE 13 - ADMINISTRATION AGREEMENT - HALIFAX COMMUNITIES THAT CARE, INC.:**

On February 26, 2005, the District entered into an agreement with the Halifax Communities That Care, Inc. (HCTC) to provide various administrative services. Terms of the agreement require HCTC to reimburse all costs incurred on its behalf and, in addition, to pay an administration fee equal to 5% of HCTC's total annual expenses. The administrative fee for the period ended June 30, 2013 was \$3,375. The agreement was for an initial term of one year from March 1, 2009 and automatically renews for a like term unless proper notice is given by either party to terminate the agreement.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 14 - GASB STATEMENT NO. 54:**

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

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

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

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

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

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

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

**ORDER OF FUND BALANCE SPENDING POLICY**

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

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

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



NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14 - GASB STATEMENT NO. 54 – continued

BALANCE SHEET - GOVERNMENTAL FUNDS			
JUNE 30, 2013			
	General	Capital Projects	Total Governmental Funds
<b>EQUITY</b>			
Nonspendable			
Inventories	\$ 9,855	\$ 0	\$ 9,855
Assigned	0	0	0
Restricted for:	0	0	0
Capital Projects	0	129,221	129,221
Committed for:			
Library Fund	23,354	0	23,354
Medical Insurance	2,108,572	0	2,108,572
HACC Stabilization	48,818	0	48,818
Unassigned	1,994,348	0	1,994,348
<b>TOTAL FUND BALANCE</b>	<b>\$ 4,184,947</b>	<b>\$ 129,221</b>	<b>\$ 4,314,168</b>

NOTE 15 - LITIGATION:

During the 2010/2011 year, the District discovered what it believes to be irregularities in the transportation invoices received from the District's transportation contracted service provider, Harris Transportation Corp. In the District's opinion, it believes it was overcharged for transportation services as computed under state formula provided by the contractor. In September 2011, the District filed suit against the contractor claiming estimated damages in the amount of \$976,168.15. As of the audit date, the suit is in its preliminary stage.

NOTE 16 - RELATED ORGANIZATIONS:

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

NOTES TO FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 17 – DEFICIT EQUITY**

At June 30, 2013 the Districts' Food Service fund has an unrestricted deficit in the amount of \$39,580.

**NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE:**

Effective July 1, 2012, the District adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to be in conformity with generally accepted accounting principles. The statement implemented Concepts Statement 4 defining the five elements of the statement of financial position as: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**NOTE 19 – TRANSPORTATION FINDING \$402,599. PA DEPARTMENT OF AUDITOR GENERAL PERFORMANCE AUDIT:**

During June 2013, the PA Department of the Auditor General completed a performance audit of the District for the school years 2008-2009 and 2009-2010. As a result of the audit, the Department found pupil transportation errors that resulted in overpayments of transportation reimbursements from the Pa Department of Education in the amounts of \$198,299 for the 2008-2009 school year and \$204,300 for the 2009-2010 school year. The District has provided its response and corrective action plan to the Auditor General and, as the report date, no resolution has been made on the finding. This audit finding directly relates to the litigation that the District has initiated as more fully disclosed in Note 15 above. No accrual of liability has been made at June 30, 2013, as the ultimate resolution of the finding is presently unknown.

**NOTE 20 – RENOVATIONS/NEW CONSTRUCTION PROJECT MIDDLE AND HIGH SCHOOLS:**

The District is currently engaged in a renovation/new construction project including its Middle and High Schools. The total project cost is estimated at approximately \$20,000,000. The project is in the preliminary stages. The project is anticipated to be funded by a \$1,500,000 Alternative and Clean Energy Grant awarded on September 19, 2013, a \$9,920,000 bond issue which was issued on October 31, 2013. The remaining funding needed (\$8,580,000) is anticipated to be funded by a bond issue obtained in early 2014.

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 21 – MULTI-COUNTY HEALTH CARE INSURANCE CONSORTIUM:**

During the 2012/2013 year, the District approved participation in the Multi-County Health Care Insurance Consortium beginning effective July 1, 2013. The District anticipates that the insurance costs in the consortium will be approximately the same as it presently incurs. Participation in the consortium is intended to stabilize insurance costs.

**NOTE 22 – SUBSEQUENT EVENTS:**

**BOND ISSUANCE – GENERAL OBLIGATION BOND SERIES OF 2013:**

On October 31, 2013, the District issued \$9,920,000 in General Obligation Bonds, Series of 2013. The proceeds of the issue will be utilized to pay issuance costs and to partially fund the Middle/High School renovation project identified in Note 20 above. The bonds bear interest at rates ranging from 3.00% to 4.30%. The bonds mature in various amounts beginning September 1, 2015 thru September 1, 2036.

**DISTRICT AWARDED \$1,500,000 ALTERNATIVE AND CLEAN ENERGY GRANT**

On September 19, 2013, the District was notified that it had been awarded a \$1,500,000 Alternative and Clean Energy Grant from the Pennsylvania Department of Community and Economic Development. The grant will be utilized to partially fund the Middle/High School renovation project and to seek *LEED Gold Certification*.

**\$500,000 OF UNASSIGNED FUND BALANCE COMMITTED**

At its November 26, 2013 board meeting, the Board of School Directors approved the commitment of \$500,000 of its unassigned fund balance for the purpose of the payment of future debt service.

## **SUPPLEMENTAL INFORMATION**

**HALIFAX AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**A. SUMMARY OF AUDIT RESULTS**

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

Program	CFDA #
ESEA Title I Improving Basic Programs	84.010

8. The threshold for distinguishing types A and B Programs was \$300,000.
9. Halifax Area School District was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

**HALIFAX AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2012	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2013
<b>U.S. DEPARTMENT OF EDUCATION</b>										
<b>Passed Through State Department of Education:</b>										
E.S.E.A Title I - Improving Basic Programs - 2011-2012	(I)	84.010	013-120177	\$ 187,498	7-1-11 / 9-30-12	\$ 12,627	\$ 12,627	\$ 0	\$ 0	\$ 0
E.S.E.A Title I - Improving Basic Programs - 2012-2013	(I)	84.010	013-130177	356,219	7-1-12 / 9-30-13	282,564	0	337,343	337,343	54,779
E.S.E.A. Title II - Improving Teacher Quality - 2011-2012	(I)	84.367	020-120177	41,551	7-1-11 / 9-30-12	0	(251)	251	251	0
E.S.E.A. Title II - Improving Teacher Quality - 2012-2013	(I)	84.367	020-130177	43,636	7-1-12 / 9-30-13	43,636	0	43,636	43,636	0
Rural and Low Income Schools 2012-2013	(I)	84.358	007-130177	23,341	7-1-12 / 9-30-13	23,341	0	23,341	23,341	0
Education Jobs Fund - American Recovery & Reinvestment Act	(I)	84.410	140-121177	5,859	7-1-11 / 9-30-12	5,859	5,859	0	0	0
<b>Passed Through Capital Area Intermediate Unit:</b>										
IDEA Part B - 2012-2013	(I)	84.027	N/A	208,308	7-1-12 / 6-30-13	0	0	208,308	208,308	208,308
IDEA Part B - 2011-2012	(I)	84.027	N/A	212,266	7-1-11 / 6-30-12	89,893	89,893	0	0	0
IDEA 619 - 2009-2010	(I)	84.027	N/A	3,358	7-1-09 / 6-30-12	1,478	1,478	1,880	1,880	1,880
IDEA 619 - 2011-2012	(I)	84.027	N/A	1,620	7-1-11 / 6-30-12	1,620	1,620	0	0	0
IDEA 619 - 2012-2013	(I)	84.027	N/A	1,647	7-1-12 / 6-30-13	0	0	1,647	1,647	1,647
<b>TOTAL DEPARTMENT OF EDUCATION</b>				<b>1,085,303</b>		<b>461,018</b>	<b>111,226</b>	<b>616,406</b>	<b>616,406</b>	<b>266,614</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
<b>Passed Through State Department of Welfare:</b>										
Medical Assistance Administrative Reimbursement - 2012/2013	(I)	93.778	NONE	3,879	7-1-12 / 6-30-13	3,759	0	3,879	3,879	120
Medical Assistance Administrative Reimbursement - 2011/2012	(I)	93.778	NONE	8,853	7-1-11 / 6-30-12	5,621	5,621	0	0	0
<b>TOTAL DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>				<b>12,732</b>		<b>9,380</b>	<b>5,621</b>	<b>3,879</b>	<b>3,879</b>	<b>120</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
<b>Passed Through State Department of Education:</b>										
Regular/Needy Breakfast - 2012-2013	(I)	10.553	115-22-250-4	35,482	7-1-12 / 6-30-13	34,664	0	35,481	35,481	817
Regular/Needy Breakfast - 2011-2012	(I)	10.553	115-22-250-4	28,281	7-1-11 / 6-30-12	798	798	0	0	0
Regular/Needy Breakfast - 2012-2013	(S)	N/A	115-22-250-4	2,921	7-1-12 / 6-30-13	2,856	0	2,920	2,920	64
Regular/Needy Breakfast - 2011-2012	(S)	N/A	115-22-250-4	2,743	7-1-11 / 6-30-12	73	73	0	0	0
National School Lunch - 2012-2013	(I)	10.555	115-22-250-4	146,449	7-1-12 / 6-30-13	143,783	0	146,449	149,449	2,666
National School Lunch - 2011-2012	(I)	10.555	115-22-250-4	143,096	7-1-11 / 6-30-12	2,820	2,820	0	0	0
National School Lunch - 2012-2013	(S)	N/A	115-22-250-4	14,958	7-1-12 / 6-30-13	14,700	0	14,958	14,958	258
National School Lunch - 2011-2012	(S)	N/A	115-22-250-4	15,960	7-1-11 / 6-30-12	281	281	0	0	0
<b>Passed Through State Department of Agriculture:</b>										
Value of USDA Commodities	(I)	10.555	2-06-22-250	29,702	7-1-12 / 6-30-13 (A)	29,702 (B)	(11,619)	28,422 (C)	28,422 (D)	(12,899)
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>				<b>419,592</b>		<b>229,677</b>	<b>(7,647)</b>	<b>228,230</b>	<b>231,230</b>	<b>(9,094)</b>
<b>SUB-TOTAL</b>				<b>1,517,627</b>		<b>700,075</b>	<b>109,200</b>	<b>848,515</b>	<b>851,515</b>	<b>257,640</b>
<b>STATE AWARD EXPENDITURES</b>				<b>36,582</b>		<b>17,910</b>	<b>354</b>	<b>17,878</b>	<b>17,878</b>	<b>322</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 1,481,045</b>		<b>\$ 682,165</b>	<b>\$ 108,846</b>	<b>\$ 830,637</b>	<b>\$ 833,637</b>	<b>\$ 257,318</b>

**Source Code Legend:**

(D) Indicates direct federal financial assistance funding.  
(I) Indicates indirect federal financial assistance funding.  
(S) Indicates State matching funding.

**Other Code Legend:**

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

**HALIFAX AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

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

**NOTE 2 - COMMODITIES:**

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