

NORTH SCHUYLKILL SCHOOL DISTRICT

**FINANCIAL STATEMENTS
and SUPPLEMENTARY REPORTS
RESULTING FROM SINGLE AUDIT**

FOR THE YEAR ENDED JUNE 30, 2014

EIN: 23-1671438



Randall G. Herring, CPA
William J. Roll, CPA
Courtney M. Solomon, CPA

Members of American and Pennsylvania Institute of Certified Public Accountants

• • •

41 South Fifth Street, Sunbury, Pennsylvania 17801

Phone: 570.286.5895 • Fax: 570.286.5976

Transmittal Letter

Members of the School Board
North Schuylkill School District
15 Academy Lane
Ashland, Pennsylvania 17921

We have performed the single audit of the North Schuylkill Area School District for the fiscal year ended June 30, 2014 and have enclosed the single audit package.

The single audit was done to fulfill the requirements of OMB Circular A-133 – Audits of States, Local Governments and Non-Profit Organizations. It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an audit of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the financial statements; 4. a review of the internal control structure made as a part of the audit of the federal financial assistance programs; 5. a review of compliance based on an audit of the financial statements in accordance with Government Auditing Standards; and 6. a review of compliance with laws and regulations related to the federal financial assistance programs and our opinion thereon.

Herring, Roll & Solomon

January 30, 2015

TABLE OF CONTENTS

Transmittal Letter

AUDITOR'S REPORT

Independent Auditor's Report 1-2

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis..... 3-13

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Statement of Net Position 14

Statement of Activities 15

FUND FINANCIAL STATEMENTS

Governmental Funds

Balance Sheet..... 16

Reconciliation of the Balance Sheet to the Statement of
Net Position 17

Statement of Revenues, Expenditures, and Changes in
Fund Balances..... 18

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to Statement of Activities..... 19

General Fund

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual 20

Proprietary Funds

Statement of Net Position..... 21

Statement of Revenues, Expenses, and Changes in
Net Position..... 22

Statement of Cash Flows 23

Fiduciary Funds

Statement of Net Position..... 24

Statement of Changes in Net Position..... 25

Notes to Financial Statements..... 26-44

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards 45

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 Standards46-47

Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133.....48-49

OTHER INFORMATION

Schedule of Prior Audit Findings..... 50

Schedule of Findings and Questioned Costs..... 51

Notes to Schedule of Expenditures of Federal Awards..... 52

Report Distribution List..... 53

Independent Auditor's Report

Member of the School Board
North Schuylkill School District
Ashland, 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 North Schuylkill School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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 North Schuylkill School District, as of June 30, 2014, 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 and budgetary comparison information on pages 3-13 and 20 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 North Schuylkill School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the 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.

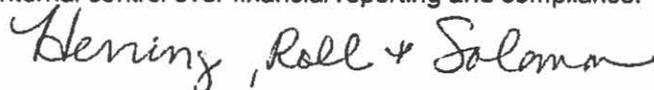
The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 January 30, 2015, on our consideration of the North Schuylkill 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 North Schuylkill School District's internal control over financial reporting and compliance.

January 30, 2015



**NORTH SCHUYLKILL SCHOOL DISTRICT
ASHLAND, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2014**

The discussion and analysis of North Schuylkill School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the new 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.

USING THE ANNUAL FINANCIAL REPORT (AFR)

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

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

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

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

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

**Figure A-1
Required Components of
North Schuylkill School District's
Financial Report**

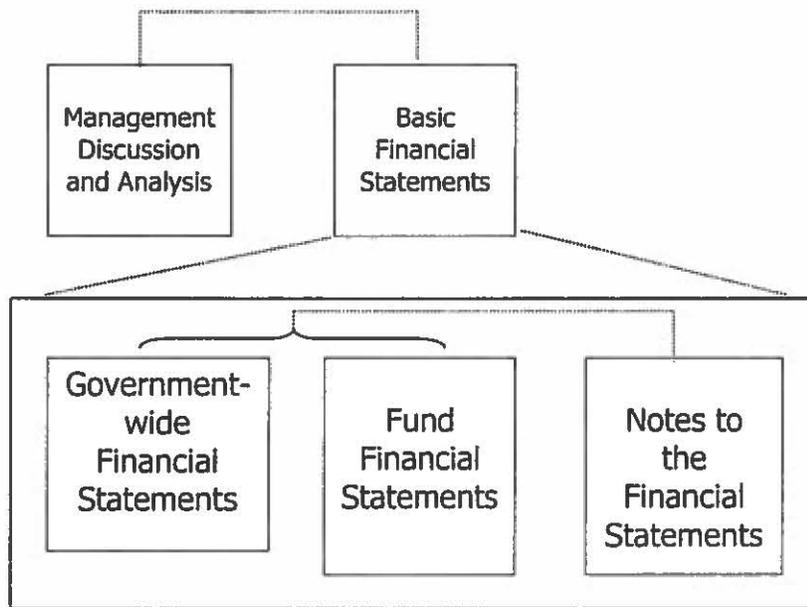


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

**Figure A-2
Major Features of North Schuylkill School District's
Government-wide and Fund Financial Statements**

Figure A-2 Major Features of North Schuylkill School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of Net Assets (NAGW) Statement of Activities (SOA)	Balance Sheet (NAG) Statement of Revenues, Expenditures, and Changes in Fund Balance (REG)	Statement of Net Assets (NAP) Statement of Revenues, Expenses, and Changes in Net Assets (REP) Statement of	Statement of Fiduciary Net Assets (NAF) Statement of Changes in Fiduciary Net Assets (CNAF)

			Cash Flows (CFP)	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to

cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets of \$17,353,467 decreased over the prior fiscal year total of \$18,123,829 on June 30, 2013. (See Table A-3.)

Table A-3
North Schuylkill School District
For Years Ended June 30, 2013 and 2014
Net Assets

	Governmental Activities 2012-2013	Governmental Activities 2013-2014	Business- Type Activities 2012-2013	Business- Type Activities 2013-2014	Total 2012-2013	Total 2013-2014
Current and other assets	\$15,954,562	\$15,677,386	\$227,707	\$294,625	\$16,182,269	\$15,972,011
Capital assets	21,207,078	20,722,381	273,480	243,667	21,480,558	20,966,048
Total Assets	37,161,640	36,399,767	501,187	538,292	37,662,827	36,938,059
Current and other liabilities	2,975,339	3,814,021	27,260	22,782	3,002,599	3,836,803
Long-term liabilities	16,536,399	15,747,789	0	0	16,536,399	15,747,789
Total Liabilities	19,511,738	19,561,810	27,260	22,782	19,538,998	19,584,592
Invested in capital assets Net of related debt	4,467,078	4,743,011	273,480	243,667	4,740,558	4,986,678
Restricted for Capital Project	6,264,606	5,628,509	0	0	6,264,606	5,628,509
Other Restrictions	147,888	129,453			147,888	129,453
Unrestricted total net assets	6,770,330	6,336,984	200,447	271,843	6,970,777	6,608,827
Total Net Assets	\$17,649,902	\$16,837,957	\$473,927	\$515,510	\$18,123,829	\$17,353,467

Table A-4
North Schuylkill School District
Change in Net Assets
For Years Ended June 30, 2013 and 2014

	Governmental Activities 2012-2013	Governmental Activities 2013-2014	Business-Type Activities 2012-2013	Business-Type Activities 2013-2014	Total 2012-2013	Total 2013-2014
REVENUES:						
Program Revenues						
Charges for Services	\$214,589	\$231,860	\$395,045	\$396,521	\$609,634	\$628,381
Operating Grants & Contributions	4,969,345	5,378,150	584,927	611,961	5,554,272	5,990,111
General Revenues						
Property Taxes	7,400,217	7,611,536	0	0	7,400,217	7,611,536
Other Taxes	2,500,076	2,059,024	0	0	2,500,076	2,059,024
State Formula Aid	8,681,063	8,840,834	0	0	8,681,063	8,840,834
Investment Earnings	56,548	53,438	185	99	56,733	53,438
Other	34,120	26,675	0	0	34,120	26,675
Total Revenues	23,855,958	24,201,517	980,157	1,008,581	24,836,115	25,210,098
EXPENSES:						
Depreciation - unallocated	1,100,711	1,107,939	0	0	1,100,711	1,107,939
Instruction	14,284,080	15,610,317	0	0	14,284,080	15,610,317
Instructional Student Support	1,606,284	1,768,880	0	0	1,606,284	1,768,880
Administration	1,913,649	2,118,180	0	0	1,913,649	2,118,180
Operation & Maintenance Of Facilities	1,828,250	1,915,748	0	0	1,828,250	1,915,748
Pupil Transportation	1,492,291	1,485,112	0	0	1,492,291	1,485,112
Student Activities	529,596	531,670	0	0	529,596	531,670
Community Services	14,910	25,193	0	0	14,910	25,193
Interest on Long-Term Debt	486,395	450,423	0	0	486,395	450,423
Food Service	0	0	942,915	966,998	942,915	966,998
Total Expenses	23,256,166	25,013,462	942,915	966,998	24,199,081	25,980,460
INCREASE (DECREASE) IN NET ASSETS	\$599,792	(\$811,945)	\$37,242	\$41,583	\$ 637,034	(\$770,362)

The District's total revenues as indicated above were \$25,210,098 for the year ended June 30, 2014. Taxes and State Formula Aid amounted to \$18,511,394 or 73.4% of total revenue for the year. Another \$5,990,111 or 23.8% came from Operating Grants and Contributions. (See Table A-4.)

The total cost of all programs and services was \$25,980,460 for the year ended June 30, 2014. The majority of the District's costs related to educating and servicing students (Instruction, Instructional Student Support, Pupil Transportation, Student Activities), in the amount of \$19,395,979 or 74.7%, Administrative Costs accounted for \$2,118,180 or 8.1%, Operation of the District's Facilities accounted for \$1,915,748 or 7.4%, and Food Service Costs increased from the prior year by \$24,083. (See Table A-4.)

- The cost of all District activities was \$25,980,460. (See Table A-4.)
- The users of the District's programs paid some of the cost.
- Federal and state governments subsidized certain programs with grants and contributions (\$8,840,834).
- Overall, net assets decreased from \$18,123,829 to \$17,353,467 or \$770,362. (See Table A-4.)

Table A-5
North Schuylkill School District
Net Cost of Governmental Activities
For Years Ended June 30, 2013 and 2014

	Total Cost of Services 2012-2013	Total Cost of Services 2013-2014	Increase/ (Decrease)	Net Cost of Services 2012-2013	Net Cost of Services 2013-2014	Increase/ (Decrease)
Depreciation – unallocated	\$1,100,711	\$1,107,939	\$7,228	(1,100,711)	(1,107,939)	7,228
Instruction	14,284,080	15,610,317	1,326,237	(10,878,486)	(11,950,441)	1,071,955
Instructional Student Support	1,606,284	1,768,880	162,596	(1,443,212)	(1,569,871)	126,659
Administration	1,913,649	2,118,180	204,531	(1,784,082)	(1,952,478)	168,396
Operation & Maintenance of Facilities	1,828,250	1,915,748	87,498	(1,742,650)	(1,813,756)	71,106
Pupil Transportation	1,492,291	1,485,112	(7,179)	(421,977)	(350,707)	(71,270)
Student Activities	529,596	531,670	2,074	(424,111)	(443,948)	19,837
Community Services	14,910	25,193	10,283	(14,021)	(25,178)	11,157
Interest & Charges on Long-Term Debt	486,395	450,423	(35,972)	(262,982)	(189,134)	(73,848)
Food Service	942,915	966,998	24,083	37,057	41,484	(4,427)
Total Expenses	\$24,199,081	\$25,980,460	\$1,781,379	(\$18,035,175)	(\$19,361,968)	1,326,793

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers. (See Table A-4.)

FINANCIAL ANALYSIS OF DISTRICT FUNDS

As of June 30, 2014 the District's governmental funds reported a combined fund balance of \$10,661,378, a decrease of \$742,407 from the prior year amount of \$11,403,785. (See Table A-6.) The primary reasons for this are specific to two funds:

General Fund:

The District budgeted adequately for all levels of operating expenditures. Specifically, the majority of functions were less than originally budgeted. Overall, actual operating expenditures of \$23,353,996 reached 99.9% of the original budget estimate of \$23,375,268 or .1% of the original budget were not expended.

Total actual revenue was \$274,018 greater than budgeted.

Capital Projects Fund:

The District established this fund in accordance with Section 1432 of the Pennsylvania Municipal Code and in compliance with the Pennsylvania School Code. It is utilized for unforeseen and various capital expenditures. In 2013-14 the district expended a total of \$662,956 in capital projects, purchases and improvements throughout the district. At the beginning of the fiscal year, the fund balance was \$6,264,606. With all of the capital expenditures the balance at year-end was \$5,628,509.

**Table A-6
North Schuylkill School District
Change in Fund Balances
For Years Ended June 30, 2013 and 2014**

	Fund Balance June 30, 2013	Fund Balance June 30, 2014	Increase (Decrease)
General Fund	\$5,139,179	\$5,032,869	(\$106,310)
Capital Projects Fund	6,264,606	5,628,509	(\$636,097)
Totals	\$11,403,785	\$10,661,378	(\$742,407)

Total Revenues for the District's general fund were \$24,461,675 while total expenses were \$24,567,985 resulting in a net decrease in the fund balances of \$106,310.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) may authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law.

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

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

The Budgetary Reserve includes amounts that may be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District operations. At this time the district has not designated any of the fund balance, however, anticipates using it to offset future budget deficits. These amounts will only be appropriated into expenditure categories if the fiscal results of the prior year-end with a positive addition to fund balance, which exceeds the total of these, projected expenditures. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

The following provides a summary of General Fund revenues:

**Table A-7
North Schuylkill School District
General Fund Operating Revenues
For Years Ended June 30, 2013 and 2014**

	Revenues 2012-2013	Revenues 2013-2014	Increase (Decrease)	% Change
Local Sources	10,759,388	10,682,387	(77,001)	(.72%)
State Sources	12,608,685	13,269,721	661,036	5.24%
Federal Sources	527,016	509,567	(17,449)	(3.31%)
Total Revenue	\$23,895,089	\$24,461,675	\$566,586	2.37%

Total General Fund operating revenue increased by \$566,586 or 2.37% from the previous year (See Table A-7.)

The following provides a summary of General Fund expenditures:

Table A-8

**North Schuylkill School District
General Fund Operating Expenditures
For Years Ended June 30, 2013 and 2014**

	Expenditures 2012-2013	Expenditures 2013-2014	Increase (Decrease)	% Change
Salaries	\$10,550,214	\$11,027,074	\$476,860	4.52%
Employee Benefits	5,427,074	6,094,518	667,444	12.30%
Purchased Professional Services	1,170,774	1,402,759	231,985	19.81%
Purchased Property Services	609,910	616,226	6,316	1.04%
Other Purchased Services	3,136,695	3,217,951	81,256	2.59%
Supplies	679,113	835,155	156,042	22.98%
Equipment	42,270	87,789	45,519	107.69%
Other Objects	36,916	74,768	37,852	102.54%
Debt Service	1,021,180	1,211,745	190,565	18.66%
Fund Transfers	750,000	0	(750,000)	(100.0%)
Total Expenditures	\$23,424,146	\$24,567,985	\$1,143,839	4.88%

Total General Fund total expenditures increased by \$1,143,839 or 4.88% from the previous year. (See Table A-8.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had \$20,966,048 in capital assets, including land, buildings, furniture and equipment. This is a decrease of \$514,510 or 2.40%.

Debt Administration

As of June 30, 2014, the District had a total outstanding debt of \$16,597,789. (See Table A-9.)

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

Table A-9

**North Schuylkill School District
Long-Term Liabilities
For Years Ended June 30, 2013 and 2014**

	Year Ending June 30, 2013	Year Ending June 30, 2014	Increase (Decrease)	% Change
General Obligation Bonds	\$16,740,000	\$15,980,000	(\$760,000)	(4.54%)
Other Outstanding Debt & Compensated Absences	\$556,399	\$ 617,789	\$61,390	11.03%
Totals	\$ 17,296,399	\$ 16,597,789	(\$698,610)	(4.04%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A major financial issue facing the District in fiscal year 2014-2015 will be the funding of the district contractual obligations, specifically salaries and benefits for district staff. The district is currently working under professional and support collective bargaining agreements that expire in 2017 and 2016 respectively. Health Insurance costs are projected to increase 7% for the 2014-2015 school year.

Act 1 of 2006 outlined rules for slot money distribution and limitations on school boards from raising taxes above an "index" without going to referendum or obtaining exceptions from the Department of Education. Although the district is in a sound financial position now, the long term effects of this law could negatively impact the instructional programs of the school district in the future. The property tax reduction for the district in 2013-2014 was \$417,785 which resulted in an \$87 homestead/farmstead exemption per property.

The current economic conditions and investment market have the potential to make significant impact on school finances. The PSERS retirement system is experiencing significant investment losses and the expected future employer contributions are expected to rise dramatically. The rate for 2013-2014 is 16.93%, it is anticipated that the rate may spike to 21.18% by the 2014-2015 school year. A local economic downturn could affect earned income tax collections and increased delinquencies on real estate and other taxes.

**Table A-10
North Schuylkill School District
Employer's Retirement Contributions**

Retirement 2014-2015	Retirement 2013-2014	Retirement 2012-2013	Retirement 2011-2012	Retirement 2010-2011	Retirement 2009-2010	Retirement 2008-2009
21.40%	16.93%	12.36%	8.65%	5.64%	4.78%	4.76%

The percentage of the total budget of revenue and expenditure by category for 2013-2014 as compared to 2014-2015 is as follows:

BUDGETED REVENUES

	2013-2014	2014-2015
Local	43.36%	43.95%
State	54.22%	54.09%
Federal	2.42%	1.96%

BUDGETED EXPENDITURES

	2013-2014	2014-2015
Instruction	62.25%	62.62%
Support Services	30.46%	29.98%
Non-Instruction/Community	.67%	.79%
Fund Transfers/Debt/Other	6.62%	6.61%

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mr. Robert Amos, Business Manager at North Schuylkill School District, 15 Academy Lane, Ashland, PA 17921, (570) 874-0466. Ext. 1102.

NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,057,887	\$ 223,783	\$ 12,281,670
Taxes receivable, net	2,742,244	-	2,742,244
Internal balances	5,709	-	5,709
Intergovernmental receivables:			
State	471,546	110	471,656
Federal	136,657	2,017	138,674
Local	115,997	-	115,997
Other Receivable	9,862	12,614	22,476
Prepaid expenses	137,484	56,101	193,585
TOTAL CURRENT ASSETS	<u>15,677,386</u>	<u>294,625</u>	<u>15,972,011</u>
NON-CURRENT ASSETS			
Bond issuance costs	172,821	-	172,821
Bond issue discount	220,943	-	220,943
Land and site improvements, net	947,323	-	947,323
Building and building improvements, net	19,133,691	-	19,133,691
Furniture and equipment, net	247,603	243,667	491,270
TOTAL NON-CURRENT ASSETS	<u>20,722,381</u>	<u>243,667</u>	<u>20,966,048</u>
TOTAL ASSETS	<u>\$ 36,399,767</u>	<u>\$ 538,292</u>	<u>\$ 36,938,059</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Internal balances	\$ -	\$ 5,709	\$ 5,709
Accounts payable	959,159	-	959,159
Deferred Revenues	-	-	-
Current portion of long-term debt	850,000	-	850,000
Accrued salaries and benefits	1,858,865	17,073	1,875,938
Payroll deductions and withholdings	90,190	-	90,190
Accrued interest	55,807	-	55,807
TOTAL CURRENT LIABILITIES	<u>3,814,021</u>	<u>22,782</u>	<u>3,836,803</u>
NON-CURRENT LIABILITIES			
Bonds and notes payable	15,130,000	-	15,130,000
Long-term portion of Other Post Employment Benefits	177,750	-	177,750
Long-term portion of compensated absences	440,039	-	440,039
TOTAL NON-CURRENT LIABILITIES	<u>15,747,789</u>	<u>-</u>	<u>15,747,789</u>
TOTAL LIABILITIES	<u>19,561,810</u>	<u>22,782</u>	<u>19,584,592</u>
NET POSITION			
Net investment in capital assets	4,743,011	243,667	4,986,678
Restricted for:			
Capital expenditures	5,628,509	-	5,628,509
Other restrictions	129,453	-	129,453
Designated	600,000	-	600,000
Unrestricted	5,736,984	271,843	6,008,827
TOTAL NET POSITION	<u>16,837,957</u>	<u>515,510</u>	<u>17,353,467</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 36,399,767</u>	<u>\$ 538,292</u>	<u>\$ 36,938,059</u>

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

NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Depreciation unallocated	\$ 1,107,939	\$ -	\$ -	\$ (1,107,939)	\$ -	\$ (1,107,939)
Instruction	15,610,317	151,094	3,508,782	(11,950,441)	-	(11,950,441)
Instructional student support	1,768,880	-	199,009	(1,569,871)	-	(1,569,871)
Administrative and financial support service	2,118,180	-	165,702	(1,952,478)	-	(1,952,478)
Operation and maintenance of plant services	1,915,748	266	101,726	(1,813,756)	-	(1,813,756)
Pupil transportation	1,485,112	-	1,134,405	(350,707)	-	(350,707)
Student activities	531,670	80,500	7,222	(443,948)	-	(443,948)
Community services	25,193	-	15	(25,178)	-	(25,178)
Interest on long-term debt	450,423	-	261,289	(189,134)	-	(189,134)
TOTAL GOVERNMENTAL ACTIVITIES	25,013,462	231,860	5,378,150	(19,403,452)	-	(19,403,452)
BUSINESS-TYPE ACTIVITIES						
Food services	966,998	396,521	611,961	-	41,484	41,484
TOTAL PRIMARY GOVERNMENT	25,980,460	628,381	5,990,111	(19,403,452)	41,484	(19,361,968)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				7,611,536	-	7,611,536
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				2,059,024	-	2,059,024
Grants, subsidies, and contributions not restricted				8,840,834	-	8,840,834
Investment earnings				53,438	99	53,537
Miscellaneous				26,675	-	26,675
TOTAL GENERAL REVENUES AND TRANSFERS				18,591,507	99	18,591,606
CHANGE IN NET POSITION				(811,945)	41,583	(770,362)
NET POSITION - BEGINNING				17,649,902	473,927	18,123,829
NET POSITION - ENDING				\$ 16,837,957	\$ 515,510	\$ 17,353,467

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,979,211	\$ 6,078,676	\$ 12,057,887
Taxes receivable, net	2,742,244	-	2,742,244
Due from other funds	5,709	-	5,709
Intergovernmental receivables:			
State	471,546	-	471,546
Federal	136,657	-	136,657
Local	115,997	-	115,997
Other Receivables	9,862	-	9,862
Prepaid expenses	137,484	-	137,484
TOTAL ASSETS	\$ 9,598,710	\$ 6,078,676	\$ 15,677,386
LIABILITIES			
Accounts payable	\$ 508,992	\$ 450,167	\$ 959,159
Accrued salaries and benefits	1,858,865	-	1,858,865
Payroll deductions and withholdings	90,190	-	90,190
Deferred revenue	2,107,794	-	2,107,794
Due to other funds	-	-	-
TOTAL LIABILITIES	4,565,841	450,167	5,016,008
EQUITY			
FUND BALANCE			
Restricted	129,453	-	129,453
Assigned	600,000	5,628,509	6,228,509
Unassigned	-	-	-
Major funds	4,303,416	-	4,303,416
TOTAL FUND BALANCES	5,032,869	5,628,509	10,661,378
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,598,710	\$ 6,078,676	\$ 15,677,386

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2014**

Total fund balances - governmental funds \$ 10,661,378

Amounts reported for governmental activities in the statement of net position 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	40,102,284
Less: accumulated depreciation	(19,773,667)

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

Bond principal payable	(15,980,000)
Other Post Employment Benefits	(177,750)
Compensated absences	(440,039)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	2,107,794
---	-----------

Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums, and discounts are reported as an unamortized asset or liability in the District-wide financial statements.	393,764
--	---------

Governmental funds do not report a liability for accrued interest until due and payable.	<u>(55,807)</u>
--	-----------------

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 16,837,957</u></u>
---	------------------------------------

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local	\$ 10,682,387	\$ 26,859	\$ 10,709,246
State	13,269,721	-	13,269,721
Federal	509,567	-	509,567
TOTAL REVENUES	<u>24,461,675</u>	<u>26,859</u>	<u>24,488,534</u>
EXPENDITURES			
Instruction	15,548,927	-	15,548,927
Support services	7,248,206	-	7,248,206
Operation of non-instructional services	556,863	-	556,863
Capital outlay	-	662,956	662,956
TOTAL EXPENDITURES	<u>23,353,996</u>	<u>662,956</u>	<u>24,016,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,107,679	(636,097)	471,582
OTHER FINANCING SOURCES (USES)			
Refund of prior year revenues	(2,244)	-	(2,244)
Debt service	(1,211,745)	-	(1,211,745)
Interfund transfers	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,213,989)</u>	<u>-</u>	<u>(1,213,989)</u>
NET CHANGE IN FUND BALANCES	(106,310)	(636,097)	(742,407)
FUND BALANCES - BEGINNING	<u>5,139,179</u>	<u>6,264,606</u>	<u>11,403,785</u>
FUND BALANCES - ENDING	<u>\$ 5,032,869</u>	<u>\$ 5,628,509</u>	<u>\$ 10,661,378</u>

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

**NORTH SCHUYLKILL 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, 2014**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (742,407)
Because some property and personal taxes will not be collected for several months after the District's year end, they are not considered as available revenues in the governmental funds.	(284,773)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	760,000
Previous year bond issuance costs are expensed in governmental funds when incurred but are amortized in the Statement of Activities.	(26,251)
Expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(61,390)
Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.	1,322
Governmental funds recognize capital outlays as expenditures versus capital assets in the Statement of Net Position	623,242
Depreciation is recognized in the Statement of Activities but is not recognized in governmental funds.	<u>(1,081,688)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (811,945)</u></u>

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 10,488,030	\$ 10,488,030	\$ 10,682,387	\$ 194,357
State sources	13,113,745	13,113,745	13,269,721	155,976
Federal sources	585,882	585,882	509,567	(76,315)
TOTAL REVENUES	24,187,657	24,187,657	24,461,675	274,018
EXPENDITURES				
Regular programs	10,845,276	10,845,276	10,734,883	110,393
Special programs	3,843,393	3,843,393	4,090,960	(247,567)
Vocational programs	540,281	540,281	540,282	(1)
Other instructional programs	147,402	147,402	182,802	(35,400)
Pupil personnel services	772,637	772,637	679,742	92,895
Instructional staff services	540,204	540,204	580,802	(40,598)
Administrative services	1,439,500	1,439,500	1,431,605	7,895
Pupil health	535,502	535,502	508,336	27,166
Business services	315,772	315,772	309,337	6,435
Operation and maintenance of plant services	1,966,592	1,966,592	1,876,034	90,558
Student transportation services	1,549,575	1,549,575	1,485,112	64,463
Central and other support services	404,324	404,324	377,238	27,086
Student activities	431,510	431,510	531,670	(100,160)
Community services	35,300	35,300	25,193	10,107
Facilities acquisition, construction	8,000	8,000	-	8,000
TOTAL EXPENDITURES	23,375,268	23,375,268	23,353,996	21,272
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	812,389	812,389	1,107,679	295,290
OTHER FINANCING SOURCES (USES)				
Refund of prior year revenues	(15,000)	(15,000)	(2,244)	12,756
Debt service	(1,211,745)	(1,211,745)	(1,211,745)	-
Interfund transfers	-	-	-	-
Budgetary reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,326,745)	(1,326,745)	(1,213,989)	112,756
NET CHANGE IN FUND BALANCES				
	(514,356)	(514,356)	(106,310)	408,046
FUND BALANCE - BEGINNING OF YEAR				
	3,405,533	3,405,533	5,139,179	1,733,646
FUND BALANCE - END OF YEAR				
	\$ 2,891,177	\$ 2,891,177	\$ 5,032,869	\$ 2,141,692

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 223,783
Due from State	110
Due from Federal	2,017
Other Receivable	12,614
Prepaid expenses	56,101
TOTAL CURRENT ASSETS	294,625
NON-CURRENT ASSETS	
Furniture and equipment (net)	243,667
TOTAL ASSETS	\$ 538,292
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accrued salaries and benefits	\$ 17,073
Due to other funds	5,709
TOTAL CURRENT LIABILITIES	22,782
NET POSITION	
Net investment in capital assets	243,667
Unrestricted	271,843
TOTAL NET POSITION	515,510
TOTAL LIABILITIES AND NET POSITION	\$ 538,292

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service
OPERATING REVENUES	
Food service revenue	\$ 383,223
Miscellaneous revenues	13,298
TOTAL OPERATING REVENUES	396,521
OPERATING EXPENSES	
Personnel services - salaries	260,297
Personnel services - employee benefits	137,965
Other purchased services	455,492
Supplies	76,250
Depreciation	36,994
TOTAL OPERATING EXPENSES	966,998
OPERATING (LOSS)	(570,477)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	99
State sources	64,909
Federal sources	547,052
TOTAL NON-OPERATING REVENUES (EXPENSES)	612,060
CHANGE IN NET POSITION	41,583
NET POSITION - BEGINNING OF YEAR	473,927
NET POSITION - END OF YEAR	\$ 515,510

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 390,678
Cash payments to employees for services	(397,771)
Cash payments to suppliers for goods and services	(531,742)
NET CASH USED BY OPERATING ACTIVITIES	(538,835)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	64,799
Federal sources	545,035
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	609,834
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	99
Purchase of equipment	(7,181)
NET CASH USED BY INVESTING ACTIVITIES	(7,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS	63,917
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	159,866
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 223,783
OPERATING (LOSS)	\$ (570,477)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation and net amortization	36,994
(Increase) Decrease in other receivables	(5,843)
Increase (Decrease) in accounts payable	-
Increase (Decrease) in accrued salaries and benefits	(10,187)
Increase (Decrease) in advances from other	10,678
TOTAL ADJUSTMENTS	31,642
TOTAL CASH USED BY OPERATING ACTIVITIES	\$ (538,835)

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>	<u>Activity</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash	\$ 406,285	\$ 73,387	\$ 479,672
TOTAL ASSETS	<u>\$ 406,285</u>	<u>\$ 73,387</u>	<u>\$ 479,672</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 73,387	\$ 73,387
TOTAL LIABILITIES	-	73,387	73,387
NET POSITION			
Specific fund balance reserves	406,285	-	406,285
TOTAL NET POSITION	<u>406,285</u>	<u>-</u>	<u>406,285</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 406,285</u>	<u>\$ 73,387</u>	<u>\$ 479,672</u>

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
ADDITIONS	
Local Revenues	\$ 251,941
DEDUCTIONS	
Scholarships awarded	<u>25,030</u>
CHANGE IN NET POSITION	226,911
NET POSITION - BEGINNING	<u>179,374</u>
NET POSITION - ENDING	<u><u>\$ 406,285</u></u>

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The North Schuylkill School District (the "District") is governed by the North Schuylkill 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 North Schuylkill 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 (MD&A), 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.

In February 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The financial statements include designation under this statement in the following categories: Restricted, Committed, Assigned and Unassigned.

DEFINING THE REPORTING ENTITY

The reporting entity was defined by applying the following criteria which were established by the Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity".

- (A) Financial interdependency
- (B) Selection of governing authority
- (C) Designation of management
- (D) Ability to significantly influence operations
- (E) Accountability for fiscal matters.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFINING THE REPORTING ENTITY - continued

The District is one of eleven member school districts of the Schuylkill County Area Vocational-Technical School Authority, a joint financing authority created to borrow funds to construct buildings for the Schuylkill Intermediate Unit and Schuylkill County Area Vocational-Technical School. Separate audited financial statements are issued by the Authority, which the reader should consult for more information.

In defining the reporting entity, all known federal program awards received by the entity have been included and have been subjected to the terms and requirements of the Single Audit Act.

In applying the above criteria, the District does not have any component units nor is the District a component unit of any other primary government.

BASIS OF PRESENTATION

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

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

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

BASIS OF PRESENTATION - continued

Depreciation expense is not allocated by function and is included on a separate line of the direct expenses. 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.

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 fund:

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

The District reports the following major proprietary fund type:

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

Other fund types:

Fiduciary Funds - These funds account for assets held by the District as an agent for various student groups, clubs and scholarships.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

BUDGETS AND BUDGETARY ACCOUNTING

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

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, specifically:

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

BUDGETS AND BUDGETARY ACCOUNTING - 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 hearing 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 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. The Board of School Directors made several supplemental budgetary appropriations throughout the year which resulted in an increase in the general fund budget. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end, if any, are reported in the fund financial statements as reservations of fund balances.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding program. These budgets are approved on a program by program basis by the federal and state funding agencies.

DEPOSITS

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.

**NORTH SCHUYLKILL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVENTORY

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

CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,500. 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	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-15 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. Vacation leave does not accumulate. The District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

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 position. 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.

RESTRICTED ASSETS

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture.

ASSIGNED ASSETS

Assigned assets are cash and cash equivalents whose use is intended to be used for a specific purpose but does not meet the criteria to be classified as restricted or committed. These amounts are assigned by the board of directors.

FUND EQUITY

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

NET POSITION

Net position represents the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets 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.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

FOOD SERVICE FUND - UNALLOCATED COSTS

The District does not attempt to allocate "Building-Wide Costs" to the Food Service Fund. Thus, General Fund expenditures (utilities, janitorial services, insurance, etc.) which partially benefit the Food Service Fund 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 facilities rental expense).

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2015, the date on which the financial statements were available to be issued.

NOTE 2- DEPOSITS:

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 deposit policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents consist of demand deposits at various financial institutions, the Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania Treasurer's Invest Program. The market values of deposits are equal to the cost of the deposits.

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to: Deposit in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

At June 30, 2014, the carrying amount of the District's deposits was \$10,826,687 and the bank balance was \$10,823,578. Of the bank balance, \$1,365,029 was covered by federal depository insurance coverage and \$9,458,549 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2- DEPOSITS - continued:

CASH EQUIVALENTS

The investment policy of the school district adheres to state statutes and prudent business practices. The cash equivalents of the school district consist of certificates of deposit and U.S. Agency Obligations as authorized by the Board. These funds which are equivalent to \$1 per share are listed as cash equivalents on the financial statements.

As of June 30, 2014, the District had the following cash equivalent.

Pennsylvania Local Government Investment Trust	\$ 1,190,085
Pennsylvania Treasurer's Invest Program	<u>499,937</u>
Total	<u>\$ 1,690,022</u>

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. At June 30, 2014, the District's investments in certificates of deposit had maturity dates of less than 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

Under Section 4440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 2- DEPOSITS – continued

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Concentration Risk

The District does not have a policy that would limit the amount it may invest in any one issuer. More than five percent of the District's investments are Pennsylvania Treasurer's Invest Program and Pennsylvania Local Government Invest Trust (PLGIT). Those investments are 100 percent of the District's total investments.

RECONCILIATION OF CASH AND CASH EQUIVALENTS

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between classifications of cash and cash equivalents on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash & Cash <u>Equivalents</u>
Cash and Cash Equivalents	\$12,516,709
GASB Statement No. 3	\$12,516,709

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3- GENERAL LONG-TERM DEBT:

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

	Accrued Compensated Absences	General Obligation Bond Series of 2010	General Obligation Bond Series of 2011	General Obligation Bond Series of 2012	Total
BALANCE - JULY 1, 2013	447,796	3,355,000	8,295,000	5,090,000	17,187,796
ADDITIONS	-				-
REDUCTIONS	(7,757)	(335,000)	(420,000)	(5,000)	(767,757)
BALANCE - JUNE 30, 2014	<u>440,039</u>	<u>3,020,000</u>	<u>7,875,000</u>	<u>5,085,000</u>	<u>16,420,039</u>

A summary of general long-term debt, principal maturities and interest requirements follows:

Year Ending June 30,	Principal General Obligation Bond Series of 2010	Principal General Obligation Bond Series of 2011	Principal General Obligation Bond Series of 2012	Interest	Total
2015	345,000	500,000	5,000	437,955	1,287,955
2016	355,000	510,000	5,000	420,311	1,290,311
2017	355,000	525,000	5,000	401,430	1,286,430
2018	370,000	530,000	5,000	381,255	1,286,255
2019	380,000	545,000	5,000	358,664	1,288,664
2020-2024	1,215,000	2,650,000	1,305,000	1,363,125	6,533,125
2025-2029	-	2,615,000	3,755,000	515,968	6,885,968
Totals	<u>3,020,000</u>	<u>7,875,000</u>	<u>5,085,000</u>	<u>3,878,708</u>	<u>19,858,708</u>

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 3- GENERAL LONG-TERM DEBT - continued

GENERAL OBLIGATION BONDS - SERIES OF 2010

On February 23, 2010, the district issued general obligation bonds, Series of 2010, in the amount of \$4,275,000 at various interest rates ranging from 1.00% to 3.55%. The proceeds of the issue were used to partially refund the 2003 Bond Series and to pay the cost of the issuance of the bonds.

GENERAL OBLIGATION BONDS – SERIES OF 2011

On November 21, 2011, the district issued general obligation bonds, Series of 2011, in the amount of \$8,515,000 at various interest rates ranging from .70% to 3.75%. The proceeds of the issue were used to refund the remaining 2003 Bond Series, partially refund the 2004 Bond Issue and to pay the cost of the issuance of the bonds.

GENERAL OBLIGATION BONDS – SERIES OF 2012

On March 13, 2012, the district issued general obligation bonds, Series of 2012, in the amount of \$5,095,000 at various interest rates ranging from 1.00% to 3.00%. The proceeds of the issue were used to refund the remaining 2004 Bond Series and to pay the cost of the issuance of the bonds.

COMPENSATED ABSENCES

Administrative

Administrative personnel will be granted twelve (12) days sick leave and two (2) personal days per year. If not used, these personal days will be added to sick leave to be paid upon retirement. At retirement, administrative personnel who have completed five (5) years of services with the School District will receive ten (10%) percent of his/her daily wage for unused accumulated sick leave.

Support Personnel

Support personnel shall be entitled to sick leave accrued according to job description and hours worked. Support personnel shall be entitled to unlimited accumulation of sick leave. At retirement, support personnel who have completed five (5) years of services with the School District will receive twenty-five (25%) percent of his/her daily wage for unused accumulated sick leave. Unused personal days maybe carried to the next fiscal year in a one-to-one ratio but may not exceed a total of five (5) in a fiscal year. Accumulated unused personal days exceeding a total of five (5) in a fiscal year convert to sick leave one for one if not used by June 30 of each year.

Professional

Teachers will be granted not to exceed two (2) days of personal leave per year. If not used, these days will be converted to sick leave to be paid upon retirement at the rate of \$50 per day up to maximum of 250 days.

The estimated liability for compensated absences at June 30, 2014 is \$440,039 for governmental funds.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS:

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

	<u>Balance June 30, 2013</u>	<u>Changes</u>	<u>Balance June 30, 2014</u>
Governmental Activities:			
Capital Assets, Not Being Depreciated			
Land	93,860	-	93,860
Capital Assets, Being Depreciated:			
Site Improvements	2,076,965	-	2,076,965
Buildings and Improvements	32,434,110	-	32,434,110
Furniture and Equipment	4,678,994	-	4,678,994
Construction in Progress	195,113	623,242	818,355
Total Capital Assets, Being Depreciated	<u>39,385,182</u>	<u>623,242</u>	<u>40,008,424</u>
Accumulated Depreciation For:			
Site Improvements	1,127,084	96,418	1,223,502
Buildings and improvements	13,322,921	795,853	14,118,774
Furniture and Equipment	4,241,974	189,417	4,431,391
Total Accumulated Depreciation	<u>18,691,979</u>	<u>1,081,688</u>	<u>19,773,667</u>
Governmental Activities			
Capital Assets, Net	<u>20,787,063</u>	<u>(458,446)</u>	<u>20,328,617</u>
Business-type Activities:			
Furniture and Equipment	713,892	7,181	721,073
Less: Accumulated Depreciation	<u>440,412</u>	<u>36,994</u>	<u>477,406</u>
Business-type Activities			
Capital Assets, Net	<u>273,480</u>	<u>(29,813)</u>	<u>243,667</u>

Depreciation expense charged to governmental activities during the year ended June 30, 2014 was \$1,081,688.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5- PENSION PLAN:

PLAN DESCRIPTION

The North Schuylkill School District contributes to the Pennsylvania Public School System Employees' Retirement System (the "System"), a multiple-employer public employee retirement system administered by the Pennsylvania Public School Employees' Retirement System Board. The System provides retirement and disability benefits, legislative mandated ad hoc cost-of-living adjustments, and has a health insurance premium assistance program to qualifying annuitants. 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 Diane J. Wert, Office of Financial Management, Public School Employees Retirement System, 5 North Fifth Street, Harrisburg, Pa 17101-1905. The report is also available in the publications section of the system's site on the internet (www.psers.state.pa.us).

FUNDING POLICY

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth. The District's contributions (net of any reimbursement from the Commonwealth) to the System for the years ended June 30, 2014, 2013, and 2012, were \$667,754, \$473,561, and \$356,796, respectively, equal to the required contributions for each year.

MEMBER CONTRIBUTIONS

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 and before July 1, 2011, contribute at 7.50 percent (automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class TE rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class TF membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class TE and Class TF are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class TE contribution rate to fluctuate between 7.50 percent and 9.50 percent and Membership Class TF contribution rate to fluctuate between 10.30 percent and 12.30 percent.

**NORTH SCHUYLKILL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 5- PENSION PLAN - continued

EMPLOYER CONTRIBUTIONS

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2014, the rate of employer's contribution was 16.93 percent of covered payroll. The 16.93 percent rate is composed of a pension contribution rate of 16.00 percent for pension benefits and .93 percent for health care insurance premium assistance.

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE:

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

<u>Tax Type</u>	<u>Millage/Rate</u>	<u>Assessed Valuation</u>
Real estate – Schuylkill County	37.67 mills	\$ 7,922,265
Real estate – Columbia County	37.67 mills	323,945
Occupation tax – Act 511	\$213.50/person	<u>1,388,604</u>
Total Assessed Valuation		<u>\$ 9,634,814</u>

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

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

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible was measurable and available within the 60 days, was recognized as revenue, and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE - continued:

The balances at June 30, 2014, are as follows:

	Gross Taxes <u>Receivable</u>	Allowance for Uncollectible <u>Taxes</u>	Net Estimated to be <u>Collectible</u>	<u>Governmental Funds</u>	
				<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ 1,857,264	\$ 261,976	\$ 1,595,288	\$ 337,221	\$ 1,258,067
Per Capita	171,712	168,279	3,433	-	3,433
Occupation	3,453,951	2,652,808	801,143	80,364	720,779
Earned Income	336,096	-	336,096	210,581	125,515
Realty Transfer	<u>6,284</u>	<u>-</u>	<u>6,284</u>	<u>6,284</u>	<u>-</u>
Total	<u>\$ 5,825,307</u>	<u>\$ 3,083,063</u>	<u>\$ 2,742,244</u>	<u>\$ 634,450</u>	<u>\$ 2,107,794</u>

NOTE 7- COMMITMENTS AND CONTINGENCIES:

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2014, there were no items of pending or threatened litigation which management feels would have a material effect on the District's financial condition.

GRANT PROGRAMS

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 maybe impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 8 - REVENUE FROM LOCAL SOURCES

During the current year, revenues from local sources consisted of the following:

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Property Taxes, Current	\$ 6,518,638		\$ 6,518,638
Earned Income Taxes	1,345,569		1,345,569
Other Current Taxes	914,161		914,161
Delinquent Taxes	1,176,966		1,176,966
Investment Income	26,570	26,859	53,429
Co-curricular Activities	80,509		80,509
Gifts and Bequests	20,066		20,066
Receipts, Other LEAs	150,794		150,794
State Revenues Passed Through			-
Local Governments	65,138		65,138
Federal Revenue Passed Through			-
Local Governments	356,236		356,236
Other Revenue from Local Sources	27,740		27,740
Total	<u>\$10,682,387</u>	<u>\$26,859</u>	<u>\$10,709,246</u>

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The School District provides a defined benefit post employment healthcare benefit, which provides medical benefits to eligible retirees and their spouses. Coverage is provided until the retiree is eligible for Medicare or until the retiree's death, whichever is earlier.

The plan's coverage includes medical, prescription drug, and dental & vision coverage for retiree, spouse and dependents. For retirees before 7/1/2006, the School District pays 100% of premiums.

For retirees 7/1/2006 and later, the School District pays the premium up to \$6,000.

Funding Policy:

As of June 30, 2014, the School District has no segregated assets to fund this liability. It is the intention of the School District to pay the premium each year as it comes due.

Funding Progress:

As of July 1, 2014, the date of the most recent actuarial report, the actuarial accrued liability for benefits was \$6,913,200, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,381,275 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 73.69%. The actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made into the future.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical sharing of benefit costs between the employer and plan members to that point. 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 actual value of assets, consistent with the long term perspective of the calculations. In the July 1, 2014 actuarial valuation, the following actuarial assumptions were used:

Interest	4.0% compounded annually net of investment expenses
Amortization Method	Level dollar method at the valuation interest rate
Amortization Period	16 years

**NORTH SCHUYLKILL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 9 -OTHER POST-EMPLOYMENT BENEFITS - continued

Actuarial Methods and Assumptions - continued:

Salary Increases are composed of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to .25%.

Actuarial Valuation Cost Method Entry Age Normal

Annual OPEB Cost and NET OPEB Obligations:

The District's annual other Post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the School's net OPEB obligation.

Annual OPEB Cost:	
Normal Cost	\$ 286,327
Amortization of Unfunded Actuarial Accrued Liability	819,556
Interest on Net OPEB Obligation	7,110
Funding Adjustment	<u>(21,072)</u>
ANNUAL OPEB COST	\$ 1,091,921
Net OPEB Obligation (Liability):	
Normal OPEB Obligation for July 1, 2013	\$ 97,320
OPEB Cost for the year ended June 30, 2014	999,189
Contributions	<u>(918,759)</u>
NET OPEB OBLIGATION (LIABILITY)	\$ 177,750

SUPPLEMENTAL INFORMATION

**North Schuylkill School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Program/Cluster Title	Source Code	CFDA Number	Grantor's Pass Thru Number	Program or Award Amt.	Grant Period Beginning/Ending Date	Total Received For Year	Accrued or (Deferred) July 1, 2013	Revenue Recognized	Expenditures	Accrued or (Deferred) June 30, 2014
U.S. Department of Education-										
Passed Through the Pennsylvania Department of Education-										
Title I Improving Basic Programs	(I)	84.010	013-140291	257,300	07-01-13/09-30-14	258,256	-	257,300	257,300	(956)
Title II Improving Teacher Quality	(I)	84.367	020-140291	123,237	07-01-13/09-30-14	115,077	-	123,237	123,237	8,160
Title II Improving Teacher Quality	(I)	84.367	020-130291	146,324	07-01-12/09-30-13	20,000	20,000	-	-	-
Total - Title II						393,333	20,000	380,537	380,537	7,204
Passed through IU # 29										
* IDEA	(I)	84.027	N/A	317,761	07-01-13/09-30-14	317,761	-	317,761	317,761	-
Total IU # 29						317,761	-	317,761	317,761	-
Total U.S. Department of Education						711,094	20,000	698,298	698,298	7,204
U.S. Department of Agriculture-										
Passed Through the Pennsylvania Department of Education-										
Child Nutrition Cluster										
* Food Nutrition - Lunch 13-14 (Note1)	(I)	10.555	N/A	N/A	07-01-13/06-30-14	399,069	-	469,235	469,235	70,166
* Food Nutrition - Breakfast 13-14	(I)	10.553	N/A	N/A	07-01-13/06-30-14	77,818	-	77,818	77,818	-
Total U.S. Department of Agriculture						476,887	-	547,053	547,053	70,166
Total Federal Financial Assistance						1,187,981	20,000	1,245,351	1,245,351	77,370

Note 1 - Value of USDA Commodities (\$68,149) is included in this program

* Denotes Major Program
Source Codes-
D = Direct Funding
I = Indirect Funding

The Accompanying Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Statement.

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

Members of the School Board
North Schuylkill School District
Ashland, 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 North Schuylkill School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise North Schuylkill School District's basic financial statements, and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Schuylkill 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 North Schuylkill School District's internal control. Accordingly, we do not express an opinion on the effectiveness of North Schuylkill 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 North Schuylkill 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.

Herring, Ball & Solomon

January 30, 2015



41 South Fifth Street, Sunbury, Pennsylvania 17801
Phone: 570.286.5895 • Fax: 570.286.5976

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

Members of the School Board
North Schuylkill School District
Ashland, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited North Schuylkill 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 North Schuylkill School District's major federal programs for the year ended June 30, 2014. North Schuylkill 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 North Schuylkill 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 North Schuylkill 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 North Schuylkill School District's compliance.

Opinion on Each Major Federal Program

In our opinion, North Schuylkill 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, 2014.

Report on Internal Control Over Compliance

Management of North Schuylkill 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 North Schuylkill 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 North Schuylkill 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.

Herring, Roll & Solomon

January 30, 2015

OTHER INFORMATION

**NORTH SCHUYLKILL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

No prior audit findings for year ending June 30, 2013

**NORTH SCHUYLKILL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF AUDIT RESULTS

1. Auditor's report expresses an unqualified opinion on the financial statements of North Schuylkill School District.
2. No deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of North Schuylkill School District, which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No deficiencies relating to the audit of internal controls over major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for North Schuylkill School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program included: IDEA – CFDA #84.027, Food Nutrition Lunch – CFDA #10.555 and Food Nutrition Breakfast – CFDA #10.553.
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. North Schuylkill School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

No findings related to the financial statement are required to be reported under generally accepted Government Auditing Standards

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

No findings for federal awards are present as reportable conditions.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
REPORT DISTRIBUTION LIST**

		<u>Number of Copies</u>
North Schuylkill School District 15 Academy Lane Ashland, PA 17921		15
Office of the Budget/Bureau of Audits 303 Walnut Street Bell Tower – Strawberry Square 6 th Floor Harrisburg, PA 17101 (filed electronically)		1
Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132 (filed electronically)		1