

NORTH SCHUYLKILL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

EIN: 23-1671438

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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, 2015 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.

A handwritten signature in black ink that reads 'Herring, Roll & Solomon'.

February 22, 2016



Randall G. Herring, CPA
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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the North Schuylkill School District adopted new accounting guidance from GASB Statement No. 68 for the 2014-2015 fiscal year. Our opinion is not modified with respect to this pronouncement.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13, budgetary comparison information on page 20, and the Schedule of Proportionate Share of the Net Pension Liability and District Contributions on page 50 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016, 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.



February 22, 2016

**NORTH SCHUYLKILL SCHOOL DISTRICT
ASHLAND, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2015**

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, 2015. 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 Position 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**

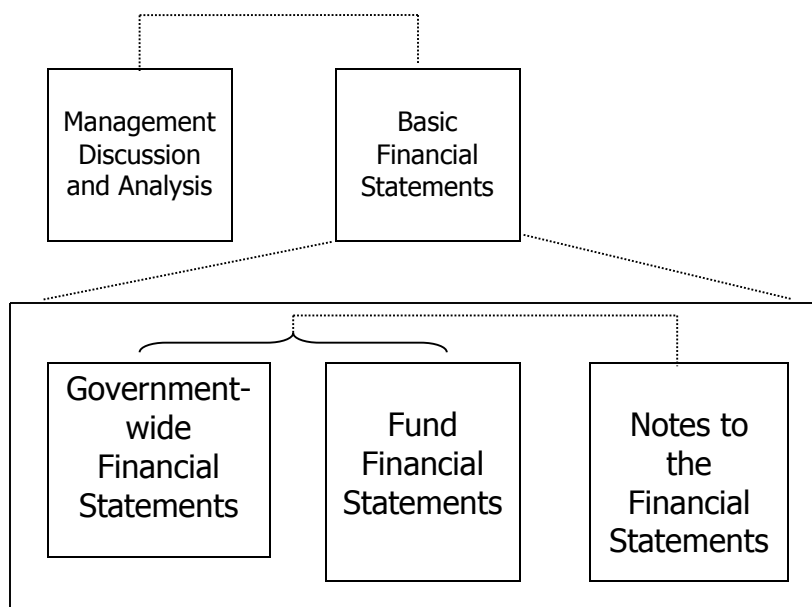


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

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

		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 Position (NAGW) Statement of Activities (SOA)	Balance Sheet (NAG) Statement of Revenues, Expenditures, and Changes in Fund Balance (REG)	Statement of Net Position (NAP) Statement of Revenues, Expenses, and Changes in Net Position (REP)	Statement of Fiduciary Net Position (NAF) Statement of Changes in Fiduciary Net Position (CNAF)

			Statement of 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 position 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 position and how they have changed. Net position, 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 position 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 Position 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 position. 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 position. The District's combined net position of (\$14,761,067) decreased over the prior fiscal year total of \$17,353,467 on June 30, 2014. (See Table A-3.)

Table A-3
North Schuylkill School District
For Years Ended June 30, 2014 and 2015
Net Position

	Governmental Activities 2014-2015	Governmental Activities 2013-2014	Business- Type Activities 2014-2015	Business- Type Activities 2013-2014	Total 2014-2015	Total 2013-2014
Current and other assets	\$21,598,641	\$15,677,386	\$334,730	\$294,625	\$21,933,371	\$15,972,011
Capital assets	35,933,137	20,722,381	311,746	243,667	36,244,883	20,966,048
Total Assets	57,531,778	36,399,767	646,476	538,292	58,178,254	36,938,059
Current and other liabilities	5,658,137	3,814,021	79,491	22,782	5,737,628	3,836,803
Long-term liabilities	66,370,132	15,747,789	831,561	0	67,201,693	15,747,789
Total Liabilities	72,028,269	19,561,810	911,052	22,782	72,939,321	19,584,592
Net investment in capital assets	1,023,596	4,743,011	227,846	243,667	1,251,442	4,986,678
Restricted for Capital Project	9,203,686	5,628,509	0	0	9,203,686	5,628,509
Other Restrictions	91,979	129,453			91,979	129,453
Unrestricted total net position	(24,815,752)	6,336,984	(492,422)	271,843	(25,308,174)	6,608,827
Total Net Position	(\$14,496,491)	\$16,837,957	(\$264,576)	\$515,510	(\$14,761,067)	\$17,353,467

Table A-4
North Schuylkill School District
Change in Net position
For Years Ended June 30, 2014 and 2015

	Governmental Activities 2014-2015	Governmental Activities 2013-2014	Business-Type Activities 2014-2015	Business-Type Activities 2013-2014	Total 2014-2015	Total 2013-2014
REVENUES:						
Program Revenues						
Charges for Services	\$285,061	\$231,860	\$361,807	\$396,521	\$646,868	\$628,381
Operating Grants & Contributions	6,095,792	5,378,150	585,649	611,961	6,681,441	5,990,111
General Revenues						
Property Taxes	8,371,859	7,611,536	0	0	8,371,859	7,611,536
Other Taxes	2,826,152	2,059,024	0	0	2,826,152	2,059,024
State Formula Aid	8,842,363	8,840,834	0	0	8,842,363	8,840,834
Investment Earnings	57,691	53,438	144	99	57,835	53,438
Other	26,545	26,675	0	0	26,545	26,675
Total Revenues	26,505,463	24,201,517	947,600	1,008,581	27,453,063	25,210,098
EXPENSES:						
Depreciation - unallocated	1,177,006	1,107,939	0	0	1,177,006	1,107,939
Instruction	16,871,155	15,610,317	0	0	16,871,155	15,610,317
Instructional Student Support	2,059,415	1,768,880	0	0	2,059,415	1,768,880
Administration	2,276,985	2,118,180	0	0	2,276,985	2,118,180
Operation & Maintenance Of Facilities	1,801,966	1,915,748	0	0	1,801,966	1,915,748
Pupil Transportation	1,420,996	1,485,112	0	0	1,420,996	1,485,112
Student Activities	589,264	531,670	0	0	589,264	531,670
Community Services	30,574	25,193	0	0	30,574	25,193
Interest on Long-Term Debt	546,087	450,423	0	0	546,087	450,423
Food Service	0	0	1,002,844	966,998	1,002,844	966,998
Total Expenses	26,773,448	25,013,462	1,002,844	966,998	27,776,292	25,980,460
INCREASE (DECREASE) IN NET POSITION	(\$267,985)	(\$811,945)	(\$55,244)	\$41,583	(\$323,229)	(\$770,362)

The District's total revenues as indicated above were \$27,453,063 for the year ended June 30, 2015, Taxes and State Formula Aid amounted to \$20,040,374 or 73.0% of total revenue for the year. Another \$6,681,441 or 24.3% came from Operating Grants and Contributions. (See Table A-4.)

The total cost of all programs and services was \$27,776,292 for the year ended June 30, 2015. 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 \$20,940,830 or 75.4%, Administrative Costs accounted for \$2,276,985 or 8.2%, Operation of the District's Facilities accounted for \$1,801,966 or 6.5%, and Food Service Costs increased from the prior year by \$35,846. (See Table A-4.)

- The cost of all District activities was \$27,776,292. (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 (\$8,842,363).
- Overall, net position decreased from \$17,353,467 to (\$14,761,067) or (\$32,114,534). (See Table A-3.)

Table A-5
North Schuylkill School District
Net Cost of Governmental Activities
For Years Ended June 30, 2014 and 2015

	Total Cost of Services 2014-2015	Total Cost of Services 2013-2014	Increase/ (Decrease)	Net Cost of Services 2014-2015	Net Cost of Services 2013-2014	Increase/ (Decrease)
Depreciation – unallocated	\$1,177,006	\$1,107,939	\$69,067	(1,177,006)	(1,107,939)	69,067
Instruction	16,871,155	15,610,317	1,260,838	(12,592,148)	(11,950,441)	641,707
Instructional Student Support	2,059,415	1,768,880	290,535	(1,815,426)	(1,569,871)	245,555
Administration	2,276,985	2,118,180	158,805	(2,039,296)	(1,952,478)	86,818
Operation & Maintenance of Facilities	1,801,966	1,915,748	(113,782)	(1,680,472)	(1,813,756)	(133,284)
Pupil Transportation	1,420,996	1,485,112	(64,116)	(299,187)	(350,707)	(51,520)
Student Activities	589,264	531,670	57,594	(488,781)	(443,948)	44,833
Community Services	30,574	25,193	5,381	(30,552)	(25,178)	5,374
Interest & Charges on Long-Term Debt	546,087	450,423	95,664	(269,727)	(189,134)	80,593
Food Service	1,002,844	966,998	35,846	(55,388)	41,484	96,872
Total Expenses	\$27,776,292	\$25,980,460	\$1,795,832	(\$20,447,983)	(\$19,361,968)	\$1,086,015

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-5.)

FINANCIAL ANALYSIS OF DISTRICT FUNDS

As of June 30, 2015 the District's governmental funds reported a combined fund balance of \$15,106,359, an increase of \$4,444,981 from the prior year amount of \$10,661,378. (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 \$24,450,660 reached 99.1% of the original budget estimate of \$24,671,248 or .9% of the original budget were not expended.

Total actual revenue was \$1,007,285 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 2014-15 the district expended a total of \$2,069,687 in capital projects, purchases and improvements throughout the district. At the beginning of the fiscal year, the fund balance was \$5,628,509.

**Table A-6
North Schuylkill School District
Change in Fund Balances
For Years Ended June 30, 2014 and 2015**

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General Fund	\$5,902,673	\$5,032,869	\$869,804
Capital Projects Fund	9,203,686	5,628,509	\$3,575,177
Totals	\$15,106,359	\$10,661,378	\$4,444,981

Total Revenues for the District's general fund were \$26,608,419 while total expenses were \$25,738,615 resulting in a net increase in the fund balance of \$869,804.

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, 2014 and 2015

	Revenues 2014-2015	Revenues 2013-2014	Increase (Decrease)	% Change
Local Sources	12,117,997	10,682,387	1,435,610	13.44%
State Sources	13,932,848	13,269,721	663,127	5.05%
Federal Sources	557,574	509,567	48,007	9.42%
Total Revenue	\$26,608,419	\$24,461,675	\$2,146,744	8.80%

Total General Fund operating revenue increased by \$2,146,744 or 8.80% 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, 2014 and 2015

	Expenditures 2014-2015	Expenditures 2013-2014	Increase (Decrease)	% Change
Salaries	\$11,435,768	\$11,027,074	\$408,694	3.71%
Employee Benefits	6,799,485	6,094,518	704,967	11.57%
Purchased Professional Services	1,228,107	1,402,759	(174,652)	(12.45%)
Purchased Property Services	535,968	616,226	(80,258)	(13.02%)
Other Purchased Services	3,215,211	3,217,951	(2,740)	(.00%)
Supplies	1,070,152	835,155	234,997	28.14%
Equipment	101,185	87,789	13,396	15.26%
Other Objects	64,784	74,768	(9,984)	(13.35%)
Debt Service	1,287,955	1,211,745	76,210	6.29%
Fund Transfers	0	0	0	0.0%
Total Expenditures	\$25,738,615	\$24,567,985	\$1,170,630	4.68%

Total General Fund total expenditures increased by \$1,170,630 or 4.76% from the previous year.
(See Table A-8.)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had \$32,123,596 in capital assets, including land, buildings, furniture and equipment. This is an increase of \$11,157,548 or 53.22%.

Debt Administration

As of June 30, 2015, the District had a total outstanding debt of \$31,739,693. (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, 2014 and 2015

	Year Ending June 30, 2013	Year Ending June 30, 2014	Increase (Decrease)	% Change
General Obligation Bonds	\$31,100,000	\$15,980,000	\$15,120,000	94.6%
Other Outstanding Debt & Compensated Absences	\$639,693	\$ 617,789	\$21,904	3.5%
Totals	\$ 31,739,693	\$ 16,597,789	\$15,141,904	91.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A major financial issue facing the District in fiscal year 2015-2016 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 3% for the 2015-2016 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 2014-2015 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 2014-2015 is 21.40%, it is anticipated that the rate will be 25.84% for the 2015-2016 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 2015-2016	Retirement 2014-2015	Retirement 2013-2014	Retirement 2012-2013	Retirement 2011-2012	Retirement 2010-2011	Retirement 2009-2010
25.84%	21.40%	16.93%	12.36%	8.65%	5.64%	4.78%

The percentage of the total budget of revenue and expenditure by category for 2014-2015 as compared to 2015-2016 is as follows:

BUDGETED REVENUES

	2015-2016	2014-2015
Local	42.38%	43.95%
State	55.61%	54.09%
Federal	2.01%	1.96%

BUDGETED EXPENDITURES

	2015-2016	2014-2015
Instruction	63.19%	62.62%
Support Services	29.65%	29.98%
Non-Instruction/Community	.80%	.79%
Fund Transfers/Debt/Other	6.36%	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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 17,844,623	\$ 262,181	\$ 18,106,804
Taxes receivable, net	2,573,618	-	2,573,618
Internal balances	-	16,448	16,448
Intergovernmental receivables:			
State	696,229	-	696,229
Federal	135,649	-	135,649
Local	291,236	-	291,236
Other Receivable	10,230	-	10,230
Prepaid expenses	47,056	56,101	103,157
TOTAL CURRENT ASSETS	21,598,641	334,730	21,933,371
NON-CURRENT ASSETS			
Bond issuance costs	263,884	-	263,884
Bond issue discount (Premium)	(72,411)	-	(72,411)
Land and site improvements, net	851,411	-	851,411
Building and building improvements, net	30,825,449	-	30,825,449
Furniture and equipment, net	255,263	227,846	483,109
TOTAL NON-CURRENT ASSETS	32,123,596	227,846	32,351,442
Deferred outflows of resources - pensions	3,809,541	83,900	3,893,441
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,531,778	\$ 646,476	\$ 58,178,254
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Internal balances	\$ 16,448	\$ -	\$ 16,448
Accounts payable	2,333,347	49,524	2,382,871
Deferred Revenues	-	12,894	12,894
Current portion of long-term debt	1,010,000	-	1,010,000
Accrued salaries and benefits	2,103,510	17,073	2,120,583
Payroll deductions and withholdings	68,172	-	68,172
Accrued interest	126,660	-	126,660
TOTAL CURRENT LIABILITIES	5,658,137	79,491	5,737,628
NON-CURRENT LIABILITIES			
Bonds and notes payable	30,090,000	-	30,090,000
Long-term portion of Other Post Employment Benefits	177,750	-	177,750
Long-term portion of compensated absences	461,943	-	461,943
Net Pension Liability	33,262,911	776,089	34,039,000
TOTAL NON-CURRENT LIABILITIES	63,992,604	776,089	64,768,693
Deferred inflows of resources - pensions	2,377,528	55,472	2,433,000
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	72,028,269	911,052	72,939,321
NET POSITION			
Net investment in capital assets	1,023,596	227,846	1,251,442
Restricted for:			
Capital expenditures	9,203,686	-	9,203,686
Other restrictions	91,979	-	91,979
Designated	600,000	-	600,000
Unrestricted	(25,415,752)	(492,422)	(25,908,174)
TOTAL NET POSITION	(14,496,491)	(264,576)	(14,761,067)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES			
AND NET POSITION	\$ 57,531,778	\$ 646,476	\$ 58,178,254

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

NORTH SCHUYLKILL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2015

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	\$ 1,177,006	\$ -	\$ -	\$ (1,177,006)	\$ -	\$ (1,177,006)
Instruction	16,871,155	195,166	4,083,841	(12,592,148)	-	(12,592,148)
Instructional student support	2,059,415	-	243,989	(1,815,426)	-	(1,815,426)
Administrative and financial support service	2,276,985	-	237,689	(2,039,296)	-	(2,039,296)
Operation and maintenance of plant services	1,801,966	60	121,434	(1,680,472)	-	(1,680,472)
Pupil transportation	1,420,996	-	1,121,809	(299,187)	-	(299,187)
Student activities	589,264	89,835	10,648	(488,781)	-	(488,781)
Community services	30,574	-	22	(30,552)	-	(30,552)
Interest on long-term debt	546,087	-	276,360	(269,727)	-	(269,727)
TOTAL GOVERNMENTAL ACTIVITIES	26,773,448	285,061	6,095,792	(20,392,595)	-	(20,392,595)
BUSINESS-TYPE ACTIVITIES						
Food services	1,002,844	361,807	585,649	-	(55,388)	(55,388)
TOTAL PRIMARY GOVERNMENT	27,776,292	646,868	6,681,441	(20,392,595)	(55,388)	(20,447,983)
GENERAL REVENUES AND TRANSFERS						
Taxes:						
Property taxes, levied for general purposes, net				8,371,859	-	8,371,859
Public utility, realty, earned income and miscellaneous taxes levied for general purposes, net				2,826,152	-	2,826,152
Grants, subsidies, and contributions not restricted				8,842,363	-	8,842,363
Investment earnings				57,691	144	57,835
Miscellaneous				26,545	-	26,545
TOTAL GENERAL REVENUES AND TRANSFERS				20,124,610	144	20,124,754
CHANGE IN NET POSITION				(267,985)	(55,244)	(323,229)
NET POSITION - BEGINNING, RESTATED (Note 10)				(14,228,506)	(209,332)	(14,437,838)
NET POSITION - ENDING				\$ (14,496,491)	\$ (264,576)	\$ (14,761,067)

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

**NORTH SCHUYLKILL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,785,978	\$ 11,058,645	\$ 17,844,623
Taxes receivable, net	2,573,618	-	2,573,618
Due from other funds	-	214,728	214,728
Intergovernmental receivables:			
State	696,229	-	696,229
Federal	135,649	-	135,649
Local	291,236	-	291,236
Other Receivables	10,230	-	10,230
Prepaid expenses	47,056	-	47,056
TOTAL ASSETS	<u>\$ 10,539,996</u>	<u>\$ 11,273,373</u>	<u>\$ 21,813,369</u>
LIABILITIES			
Accounts payable	\$ 263,660	\$ 2,069,687	\$ 2,333,347
Accrued salaries and benefits	2,103,510	-	2,103,510
Payroll deductions and withholdings	68,172	-	68,172
Deferred revenue	1,970,805	-	1,970,805
Due to other funds	231,176	-	231,176
TOTAL LIABILITIES	<u>4,637,323</u>	<u>2,069,687</u>	<u>6,707,010</u>
EQUITY			
FUND BALANCE			
Restricted	91,979	-	91,979
Assigned	600,000	9,203,686	9,803,686
Unassigned			-
Major funds	5,210,694	-	5,210,694
TOTAL FUND BALANCES	<u>5,902,673</u>	<u>9,203,686</u>	<u>15,106,359</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,539,996</u>	<u>\$ 11,273,373</u>	<u>\$ 21,813,369</u>

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, 2015**

Total fund balances - governmental funds	\$ 15,106,359
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	52,680,505
Less: accumulated depreciation	(20,748,382)
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	(31,100,000)
Other Post Employment Benefits	(177,750)
Compensated absences	(461,943)
Net Pension Liability	(33,262,911)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and , therefore, are not reported in the funds.	
Deferred outflows of resources	3,809,541
Deferred inflows of resources	(2,377,528)
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.	
	1,970,805
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.	
	191,473
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(126,660)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ (14,496,491)</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, 2015**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local	\$ 12,117,997	\$ 34,033	\$ 12,152,030
State	13,932,848	-	13,932,848
Federal	557,574	-	557,574
TOTAL REVENUES	<u>26,608,419</u>	<u>34,033</u>	<u>26,642,452</u>
EXPENDITURES			
Instruction	16,350,569	-	16,350,569
Support services	7,490,869	-	7,490,869
Operation of non-instructional services	609,222	-	609,222
Capital outlay	-	12,516,801	12,516,801
TOTAL EXPENDITURES	<u>24,450,660</u>	<u>12,516,801</u>	<u>36,967,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,157,759	(12,482,768)	(10,325,009)
OTHER FINANCING SOURCES (USES)			
Bond Proceeds	18,732,945	-	18,732,945
Debt service	(3,962,955)	-	(3,962,955)
Interfund transfers	(16,057,945)	16,057,945	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,287,955)</u>	<u>16,057,945</u>	<u>14,769,990</u>
NET CHANGE IN FUND BALANCES	869,804	3,575,177	4,444,981
FUND BALANCES - BEGINNING	<u>5,032,869</u>	<u>5,628,509</u>	<u>10,661,378</u>
FUND BALANCES - ENDING	<u><u>\$ 5,902,673</u></u>	<u><u>\$ 9,203,686</u></u>	<u><u>\$ 15,106,359</u></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, 2015**

**TOTAL NET CHANGE IN FUND BALANCES -
GOVERNMENTAL FUNDS**

\$ 4,444,981

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.

(136,989)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

850,000

Previous year bond issuance costs are expensed in governmental funds when incurred but are amortized in the Statement of Activities.

(202,291)

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.

(21,904)

Interest is recognized in governmental funds when paid but is accrued in the Statement of Activities.

(70,853)

Governmental funds recognize capital outlays as expenditures versus capital assets in the Statement of Net Position

12,578,221

Depreciation is recognized in the Statement of Activities but is not recognized in governmental funds.

(974,715)

Net bond proceeds

(15,970,000)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions- governmental funds

2,443,056

Cost of benefits earned net of employee contributions- governmental funds

(3,207,491)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$ (267,985)

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 11,251,896	\$ 11,251,896	\$ 12,117,997	\$ 866,101
State sources	13,847,238	13,847,238	13,932,848	85,610
Federal sources	502,000	502,000	557,574	55,574
TOTAL REVENUES	<u>25,601,134</u>	<u>25,601,134</u>	<u>26,608,419</u>	<u>1,007,285</u>
EXPENDITURES				
Regular programs	11,622,469	11,622,469	11,527,985	94,484
Special programs	3,964,606	3,964,606	3,978,328	(13,722)
Vocational programs	540,282	540,282	552,922	(12,640)
Other instructional programs	191,837	191,837	291,334	(99,497)
Pupil personnel services	833,118	833,118	879,559	(46,441)
Instructional staff services	634,317	634,317	577,946	56,371
Administrative services	1,476,466	1,476,466	1,593,614	(117,148)
Pupil health	530,746	530,746	528,090	2,656
Business services	336,150	336,150	332,197	3,953
Operation and maintenance of plant services	1,979,910	1,979,910	1,769,596	210,314
Student transportation services	1,576,212	1,576,212	1,418,322	157,890
Central and other support services	446,040	446,040	391,545	54,495
Student activities	489,280	489,280	578,648	(89,368)
Community services	41,815	41,815	30,574	11,241
Facilities acquisition, construction	8,000	8,000	-	8,000
TOTAL EXPENDITURES	<u>24,671,248</u>	<u>24,671,248</u>	<u>24,450,660</u>	<u>220,588</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>929,886</u>	<u>929,886</u>	<u>2,157,759</u>	<u>1,227,873</u>
OTHER FINANCING SOURCES (USES)				
Land proceeds	-	-	18,732,945	18,732,945
Debt service	(1,287,955)	(1,287,955)	(3,962,955)	(2,675,000)
Interfund transfers	-	-	(16,057,945)	(16,057,945)
Budgetary reserve	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,387,955)</u>	<u>(1,387,955)</u>	<u>(1,287,955)</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCES	<u>(458,069)</u>	<u>(458,069)</u>	<u>869,804</u>	<u>1,327,873</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,950,000</u>	<u>2,950,000</u>	<u>5,032,869</u>	<u>2,082,869</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,491,931</u>	<u>\$ 2,491,931</u>	<u>\$ 5,902,673</u>	<u>\$ 3,410,742</u>

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, 2015**

	Food Service
	<u> </u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 262,181
Due from other funds	16,448
Prepaid expenses	<u>56,101</u>
TOTAL CURRENT ASSETS	334,730
NON-CURRENT ASSETS	
Furniture and equipment (net)	<u>227,846</u>
TOTAL ASSETS	562,576
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, net of accumulated amortization	<u>83,900</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 646,476</u></u>
CURRENT LIABILITIES	
Accrued salaries and benefits	\$ 17,073
Accounts Payable	49,524
Deferred Revenue	<u>12,894</u>
TOTAL CURRENT LIABILITIES	79,491
NONCURRENT LIABILITIES	
Net pension liability	<u>776,089</u>
TOTAL LIABILITIES	855,580
DEFERRED INFLOWS OF RESOURCES	
Pensions, net of accumulated amortization	<u>55,472</u>
NET POSITION	
Net investment in capital assets	227,846
Unrestricted	<u>(492,422)</u>
TOTAL NET POSITION	<u>(264,576)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 646,476</u></u>

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, 2015**

	Food Service
OPERATING REVENUES	
Food service revenue	\$ 346,655
Miscellaneous revenues	15,152
TOTAL OPERATING REVENUES	<u>361,807</u>
OPERATING EXPENSES	
Personnel services - salaries	257,470
Personnel services - employee benefits	177,990
Other purchased services	440,952
Supplies	84,548
Depreciation	41,884
TOTAL OPERATING EXPENSES	<u>1,002,844</u>
OPERATING (LOSS)	<u>(641,037)</u>
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	144
State sources	66,353
Federal sources	519,296
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>585,793</u>
CHANGE IN NET POSITION	<u>(55,244)</u>
NET POSITION - BEGINNING OF YEAR- Restated (Note 10)	<u>(209,332)</u>
NET POSITION - END OF YEAR	<u><u>\$ (264,576)</u></u>

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, 2015**

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 371,516
Cash payments to employees for services	(410,064)
Cash payments to suppliers for goods and services	(484,911)
NET CASH USED BY OPERATING ACTIVITIES	<u>(523,459)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	66,463
Federal sources	521,313
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>587,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	144
Purchase of equipment	(26,063)
NET CASH USED BY INVESTING ACTIVITIES	<u>(25,919)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,398
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>223,783</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 262,181</u></u>
 OPERATING (LOSS)	 \$ (641,037)
ADJUSTMENTS TO RECONCILE OPERATING (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation and net amortization	41,884
Other adjustments- pension expense	22,819
(Increase) Decrease in other receivables	12,614
Increase (Decrease) in accounts payable	49,524
Increase (Decrease) in accrued salaries and benefits	-
Increase (Decrease) in advances from other	(22,157)
Increase (Decrease) deferred revenue	12,894
TOTAL ADJUSTMENTS	<u>117,578</u>
TOTAL CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (523,459)</u></u>

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, 2015**

	Private Purpose Trust	Activity	Total Fiduciary Funds
ASSETS			
Cash	\$ 390,933	\$ 88,106	\$ 479,039
TOTAL ASSETS	<u>\$ 390,933</u>	<u>\$ 88,106</u>	<u>\$ 479,039</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 88,106	\$ 88,106
TOTAL LIABILITIES	-	88,106	88,106
NET POSITION			
Specific fund balance reserves	<u>390,933</u>	<u>-</u>	<u>390,933</u>
TOTAL NET POSITION	<u>390,933</u>	<u>-</u>	<u>390,933</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 390,933</u>	<u>\$ 88,106</u>	<u>\$ 479,039</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, 2015**

	Private Purpose Trust
ADDITIONS	
Local Revenues	\$ 7,325
DEDUCTIONS	
Scholarships awarded	<u>22,677</u>
CHANGE IN NET POSITION	(15,352)
NET POSITION - BEGINNING	<u>406,285</u>
NET POSITION - ENDING	<u><u>\$ 390,933</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, 2015**

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.

The School District adopted Statement of Governmental Accounting Standards (GASB Statement) No. 68, *"Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27"* in the fiscal year ended June 30, 2015. The School District also adopted the provisions of GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68"*. The adoption of these statements resulted in a restatement of net position as described in Note 10.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015**

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, 2015**

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 February 22, 2016, 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, 2015, the carrying amount of the District's deposits was \$18,585,843 and the bank balance was \$18,918,730. Of the bank balance, \$1,113,184 was covered by federal depository insurance coverage and \$17,805,546 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, 2015**

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, 2015, the District had the following cash equivalent.

Pennsylvania Local Government Investment Trust	\$ 8,035,784
Pennsylvania Treasurer's Invest Program	<u>107,158</u>
Total	<u>\$ 8,142,942</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, 2015, 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, 2015**

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	\$18,585,843
 GASB Statement No. 3	 \$18,585,843

NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015

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	General Obligation Bond Series of 2014	General Obligation Bond Series of 2015	Total
BALANCE - JULY 1, 2014	440,039	3,020,000	7,875,000	5,085,000	-	-	16,420,039
ADDITIONS	21,904	-	-	-	9,895,000	8,750,000	18,666,904
REDUCTIONS	-	(3,020,000)	(500,000)	(5,000)	-	-	(3,525,000)
BALANCE - JUNE 30, 2015	461,943	-	7,375,000	5,080,000	9,895,000	8,750,000	31,561,943

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

Year Ending June 30,	Principal General Obligation Bond Series of 2011	Principal General Obligation Bond Series of 2012	Principal General Obligation Bond Series of 2014	Principal General Obligation Bond Series of 2015	Interest	Total
2016	510,000	5,000	5,000	490,000	1,003,180	2,013,180
2017	525,000	5,000	5,000	490,000	982,830	2,007,830
2018	530,000	5,000	5,000	500,000	962,180	2,002,180
2019	545,000	5,000	5,000	505,000	940,226	2,000,226
2020	560,000	5,000	5,000	510,000	913,477	1,993,477
2021-2025	2,580,000	2,015,000	25,000	1,345,000	4,074,646	10,039,646
2026-2030	2,125,000	3,040,000	750,000	750,000	3,131,088	9,796,088
2031-2035	-	-	4,100,000	2,940,000	1,943,300	8,983,300
2036-2040	-	-	4,995,000	1,220,000	563,300	6,778,300
Totals	7,375,000	5,080,000	9,895,000	8,750,000	14,514,227	45,614,227

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

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. This bond issue was escrowed by the series 2015 bond issue. The entire amount was called May 15, 2015.

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.

GENERAL OBLIGATION BONDS – SERIES OF 2014

On May 15, 2015, the district issued general obligation bonds, Series of 2014, in the amount of \$9,895,000 at various interest rates ranging from 2.00% to 4.00%. The proceeds of the issue were used to renovate the Junior/Senior High School building.

GENERAL OBLIGATION BONDS – SERIES OF 2015

On May 15, 2015, the district issued general obligation bonds, Series of 2015, in the amount of \$8,750,000 at various interest rates ranging from 2.00% to 4.00%. The proceeds of the issue were used to renovate the Junior/Senior High School building and to refund the remaining 2010 Bond Series,

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, 2015 is \$461,943 for governmental funds.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 4 - CAPITAL ASSETS:

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

	Balance June 30, 2014	Changes	Balance June 30, 2015
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	845,804	33,279,914
Furniture and Equipment	4,678,994	197,823	4,876,817
Construction in Progress	818,355	11,534,594	12,352,949
Total Capital Assets, Being Depreciated	40,008,424	12,578,221	52,586,645
Accumulated Depreciation For:			
Site Improvements	1,223,502	95,912	1,319,414
Buildings and improvements	14,118,774	688,640	14,807,414
Furniture and Equipment	4,431,391	190,163	4,621,554
Total Accumulated Depreciation	19,773,667	974,715	20,748,382
Governmental Activities			
Capital Assets, Net	<u>20,328,617</u>	<u>11,603,506</u>	<u>31,932,123</u>
Business-type Activities:			
Furniture and Equipment	721,073	26,063	747,136
Less: Accumulated Depreciation	<u>477,406</u>	<u>41,884</u>	<u>519,290</u>
Business-type Activities			
Capital Assets, Net	<u>243,667</u>	<u>(15,821)</u>	<u>227,846</u>

Depreciation expense charged to governmental activities during the year ended June 30, 2015 was \$974,715.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5- PENSION PLAN

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System ("PSERS") and additions to/ deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

PLAN DESCRIPTION

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days for service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

BENEFITS PROVIDED

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (3) 35 or more years of service regardless of age. Act 120 of 2010 (act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5- PENSION PLAN- continued

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

CONTRIBUTIONS

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50%(Membership Class T-D) 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%(Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,495,746 for the year ended June 30, 2015.

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2015, the District reported a liability of \$34,039,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.0860 percent, which was an increase of 0.0038 from its proportion measured as of June 30, 2013.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5- PENSION PLAN- continued

For the year ended June 30, 2015, the District recognized pension expense of \$3,283,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -0-	\$ -0-
Changes in assumptions	-0-	-0-
Net difference between projected and actual investment earnings	-0-	2,433,000
Changes in proportions	1,254,000	-0-
Difference between employer contributions and proportionate share of total contributions	143,695	-0-
Contributions subsequent to the measurement date	2,495,746	-0-
	<u>\$ 3,893,441</u>	<u>\$ 2,433,000</u>

\$2,495,746 reported as deferred outflows and inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (268,919)
2017	(268,919)
2018	(268,919)
2019	(268,919)
2020	40,371
Thereafter	-0-

Actuarial assumptions:

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal -level % of pay • Investment return - 7.50%- includes inflation at 3.00%

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5- PENSION PLAN- continued

- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 5- PENSION PLAN- continued

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
District's proportionate share of the net pension liability	\$42,459,000	\$34,039,000	\$26,851,000

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

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	\$ 8,016,397
Real estate – Columbia County	37.67 mills	322,214
Occupation tax – Act 511	\$213.50/person	<u>1,323,869</u>
Total Assessed Valuation		<u>\$ 9,662,480</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

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 6- TAXES ASSESSED AND DEFERRED REVENUE - continued:

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.

The balances at June 30, 2015, are as follows:

<u>Governmental Funds</u>					
	Gross	Allowance	Net		
	Taxes	for	Estimated	Tax Revenue	Deferred
<u>Tax</u>	<u>Receivable</u>	<u>Taxes</u>	<u>Collectible</u>	<u>Recognized</u>	<u>Taxes</u>
Real Estate	\$ 1,637,943	\$ 230,289	\$ 1,407,654	\$ 293,143	\$ 1,114,511
Per Capita	172,620	169,218	3,402	-	3,402
Occupation	3,596,175	2,836,634	759,541	54,107	705,434
Earned Income	394,853	-	394,853	247,395	147,458
Realty Transfer	<u>8,168</u>	<u>-</u>	<u>8,168</u>	<u>8,168</u>	<u>-</u>
Total	<u>\$ 5,809,759</u>	<u>\$ 3,236,141</u>	<u>\$ 2,573,618</u>	<u>\$ 602,813</u>	<u>\$ 1,970,805</u>

NOTE 7- COMMITMENTS AND CONTINGENCIES:

During the normal course of business, the District is subject to numerous disputes and claims. At June 30, 2015, 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, 2015 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, 2015**

NOTE 8 - REVENUE FROM LOCAL SOURCES

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

	General Fund	Capital Projects	Total
Property Taxes, Current	\$ 7,214,409		\$ 7,214,409
Earned Income Taxes	1,387,135		1,387,135
Other Current Taxes	910,349		910,349
Delinquent Taxes	1,823,106		1,823,106
Investment Income	23,658	34,033	57,691
Co-curricular Activities	89,835		89,835
Gifts and Bequests	23,313		23,313
Receipts, Other LEAs	195,166		195,166
State Revenues Passed Through			-
Local Governments	22,413		22,413
Federal Revenue Passed Through			-
Local Governments	398,008		398,008
Other Revenue from Local Sources	30,605		30,605
Total	<u><u>\$12,117,997</u></u>	<u><u>\$34,033</u></u>	<u><u>\$12,152,030</u></u>

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2015, 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, 2015, 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, 2015 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, 2015**

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, 2015	999,189
Contributions	<u>(918,759)</u>
NET OPEB OBLIGATION (LIABILITY)	\$ 177,750

NOTE 10 –RESTATEMENT OF NET POSITION/ ACCOUNTING CHANGES

The following 2015 amounts have been restated due to the adoption of GASB Statement No 68 and GASB Statement No. 71:

	Governmental Activities	Business-Type Activities
Beginning Net Position	\$16,837,957	\$515,510
Net Pension Liability for the Adoption of GASB 68	(32,881,803)	(767,197)
Deferral of Contributions subsequent to PSERS measurement date for the adoption of GASB 71	<u>1,815,340</u>	<u>42,355</u>
Restated Beginning Net Position	<u>\$(14,228,506)</u>	<u>\$(209,332)</u>

SUPPLEMENTAL INFORMATION

**North Schuylkill School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015**

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, 2014	Revenue Recognized	Expenditures	Accrued or (Deferred) June 30, 2015
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	(956)	(956)	-	-	-
* Title I Improving Basic Programs	(I)	84.010	013-150291	346,425	07-01-14/09-30-15	321,688	-	346,425	346,425	24,737
Total - Title I						320,732	(956)	346,425	346,425	24,737
Title II Improving Teacher Quality	(I)	84.367	020-140291	123,237	07-01-13/09-30-14	8,160	8,160	-	-	-
Title II Improving Teacher Quality	(I)	84.367	020-150291	123,326	07-01-14/09-30-15	104,392	-	123,326	123,326	18,934
Total - Title II						112,552	8,160	123,326	123,326	18,934
Total Pennsylvania Department of Education						433,284	7,204	469,751	469,751	43,671
Passed through IU # 29										
IDEA	(I)	84.027	N/A	336,447	07-01-14/09-30-15	336,447	-	336,447	336,447	-
Total IU # 29						336,447	-	336,447	336,447	-
Total U.S. Department of Education						769,731	7,204	806,198	806,198	43,671
U.S. Department of Agriculture-										
Passed Through the Pennsylvania Department of Education-										
Child Nutrition Cluster										
Food Nutrition - Lunch 13-14	(I)	10.555	N/A	N/A	07-01-13/06-30-14	2,017	2,017	-	-	-
Food Nutrition - Lunch 14-15(Note 1)	(I)	10.555	N/A	N/A	07-01-14/06-30-15	445,596	-	445,596	445,596	-
Food Nutrition - Breakfast 14-15	(I)	10.553	N/A	N/A	07-01-14/06-30-15	73,700	-	73,700	73,700	-
Total U.S. Department of Agriculture						521,313	2,017	519,296	519,296	-
Total Federal Financial Assistance						1,291,044	9,221	1,325,494	1,325,494	43,671

Note 1 - Value of USDA Commodities (\$65,545) 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.

**NORTH SCHUYLKILL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND DISTRICT CONTRIBUTIONS**

	<u>2014</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	
District's Proportion of the Net Pension Liability	0.0860%
District's Proportionate Share of Net Pension Liability	\$ 34,039,000
District's Covered-Employee Payroll	\$ 10,975,076
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	310%

	<u>2014</u>
DISTRICT CONTRIBUTIONS	
Statutorily Required Contribution	\$ 2,495,746
Contributions in Relation to the Statutorily Required Contribution	<u>(2,495,746)</u>
Contribution Deficiency (Excess)	<u>-0-</u>
District's Covered-Employee Payroll	10,975,076
Contributions as a Percentage of Covered-Employee Payroll	22.74%

The District adopted GASB 68 on a prospective basis in 2015; therefore only one year is present in the above schedule.

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

The Public School Employees' Retirement System Trust Fund's net pension liability and associated amounts are measured annually at June 30, based on an actuarial valuation as of the previous June 30. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending June 30.



Randall G. Herring, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2015, 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 February 22, 2016.

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.

A handwritten signature in cursive script that reads "Hering, Roll & Solomon". The signature is written in dark ink on a light-colored background.

February 22, 2016



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

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, 2015. 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, 2015.

Report on Internal Control Over Compliance

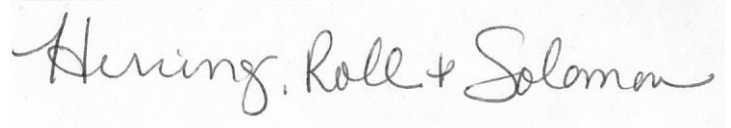
Management of North Schuylkill School District, is responsible for establishing and maintaining effective internal control

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.

A handwritten signature in cursive script that reads "Hering, Roll & Solomon". The signature is written in dark ink on a light-colored background.

February 22, 2016

OTHER INFORMATION

**NORTH SCHUYLKILL SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

No prior audit findings for year ending June 30, 2014

**NORTH SCHUYLKILL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

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 program tested as a major program was Title I – CFDA #84.010.
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
REPORT DISTRIBUTION LIST**

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