

SUSQUEHANNA TOWNSHIP

SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2015

CONTENTS

<u>INDEPENDENT AUDITOR'S REPORT</u>	<u>1 - 3</u>
Management's Discussion and Analysis	4 - 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	17
Statement of Net Position - Proprietary Fund - Fund Service	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Food Service	19
Statement of Cash Flows - Proprietary Fund - Food Service	20
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23 - 50

CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information -Other Post-Employment Benefits Plan	51
Required Supplementary Information - Schedule of District's Proportionate Share of Net Positions Liability	52
Required Supplementary Information - Schedule of District's Contributions	53

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54 - 55
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance as Required by OMB Circular A-133	56 - 57
Schedule of Findings and Questioned Costs	58 - 62
Schedule of Expenditures of Federal Awards	63 - 64
Notes to Schedule of Expenditures of Federal Awards	65
Summary Schedule of Prior Year's Audit Findings	66 - 69

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Susquehanna Township School District
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Susquehanna Township 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 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 Susquehanna Township School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 1, to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014. The District expanded its note disclosures and required supplementary information related to its pension plans. Our opinion is not modified with respect to this matter.

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 4 through 10 and the required supplementary information as listed in the table of contents, 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 District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is the responsibility of management and was derived from and relates 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 information is 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 January 7, 2016, on our consideration of the 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 Susquehanna Township School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Boyer & Ritten". The signature is written in dark ink and is positioned in the center of the page.

Camp Hill, Pennsylvania
January 7, 2016

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

The management of Susquehanna Township School District (the District) is pleased to present the following discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2015. The purpose of this discussion is to provide a narrative summary of the financial position and activities of the District in order to enhance the reader's understanding of the District's basic financial statements.

The District is required to present comparative financial information between the current year and the prior year in its Management's Discussion and Analysis (MD&A) as mandated by the Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

Financial Highlights

Key financial highlights for the year ended June 30, 2015, are as follows:

- The total Governmental and Business-Type Activities liabilities of the District exceeded its assets at June 30, 2015, by \$38.22 million (net position). The negative net position is the result of recording the district's proportionate share of net pension liability and deferred pension amounts reported in accordance with GASB Statement No. 68, which was implemented during 2015, with restatement of 2014. Consequently, there is no (unrestricted net position) available to meet the District's ongoing obligations to students and residents and total net position decreased by approximately \$60 million from the previous fiscal year.
- The District's food service program, the only business-type activity, reported a decrease in net position of \$1,462,419 during the 2014-2015 fiscal year. Total food service revenues increased by approximately 3.43 percent or \$47,500 during the fiscal year. Food service expenses increased by 13.13 percent or \$182,000.
- As of June 30, 2015, the District's governmental funds reported combined ending fund balances of \$14.4 million, a decrease of \$6.7 million in comparison with the prior year. This decrease was due to the approximate expenditure of \$6.5 million of 2014 Series General Obligation Bond proceeds in place to fund financial obligations associated with HVAC upgrades at two district buildings and the use of approximately \$300,000 of fund balance to meet 2014-2015 General Fund operating needs. Approximately 19.62 percent of total governmental fund balance is available for spending at the District's discretion (unassigned).
- The general fund reported an unassigned fund balance on June 30, 2015, of approximately \$2.8 million: which is 5.90 percent of budget expenditures for the 2015-2016 fiscal year. Legislation enacted by the Commonwealth of Pennsylvania requires school districts to target an unassigned general fund balance of 8.0 percent or less of budgeted expenditures for the succeeding year. Budgeted expenditures for the 2015-2016 fiscal year total \$47.97 million.

Overview of Financial Statements

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements, and other required supplementary information.

The first two statements of the basic financial statements are District-wide financial statements. These statements on pages 11 through 12 consist of the statement of net position and the statement of activities. The District-wide financial statements provide both short-term and long-term information about the District's overall financial status.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

The remaining basic financial statements consist of fund financial statements. These statements focus on individual funds of the District and provide a more detailed presentation of the District's operations. The governmental funds statements on pages 13 and 15 present how general School District services are financed in the short-term as well as what remains for future spending. The proprietary fund statements on pages 18 through 20 present both short-term and long-term information about the activities that the District operates similar to a business.

The basic financial statements also include notes on pages 23 through 50 that provide a more detailed explanation of some of the information in the financial statements. Following the basic financial statements is other required supplementary information on pages 51 through 53.

District-Wide Financial Statements

The District-wide statements report financial information about the District as a whole using accounting methods similar to the accounting used by private-sector companies. The statement of net position includes all of the District's assets and liabilities utilizing the full accrual basis of accounting. The statement of activities accounts for all of the District's revenues and expenses, regardless of when cash is received or paid.

The government-wide statements report the District's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as reported in the statement of activities - are used as one indicator of whether the District's financial health is improving or deteriorating. The District exists to provide services, primarily educational, to its students, so it does not have the profit-generation goal of private-sector companies. For this reason, the reader must also consider nonfinancial factors, such as the quality of the education provided, when assessing the *overall* health of the District.

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

- **Governmental Activities** - All of the District's basic services are included here, such as instruction, administration, and community services. Real estate, earned income 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

Fund financial statements provide detailed information about the most significant funds or major funds - not the District as a whole. Some funds are required to be reported as major funds.

- **Governmental Funds** - Most of the District's activities are reported in governmental funds and focus on changes in financial resources, rather than upon net income determination. These funds are reported using the modified accrual basis of accounting, which measures cash and all 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 on pages 14 and 16.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

- **Proprietary Funds** - These funds are used to account for the District activities that are similar to business operations in the private sector. When the District charges customers for services it provides, 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 reported in the government-wide statements.
- **Fiduciary Funds** - The District is the trustee or agent for individuals, private organizations, and/or governmental units as shown on pages 21 and 22.

Financial Analysis of the District as a Whole

The District's total net position was (\$38,223,525) at June 30, 2015, which includes (\$36,942,213) in governmental activities and (\$1,281,312) in business-type activities.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Current assets	\$ 24,595,234	\$ 30,435,297	\$ 3,257	\$ 107,887	\$ 24,598,491	\$ 30,543,184
Capital assets	41,696,621	37,144,656	128,129	139,736	41,824,750	37,284,392
Total assets	\$ 66,291,855	\$ 67,579,953	\$ 131,386	\$ 247,623	\$ 66,423,241	\$ 67,827,576
Deferred outflows of resources	\$ 3,872,820	\$ 21,992	\$ 88,000	\$ -	\$ 3,960,820	\$ 21,992
Current liabilities	\$ 6,576,019	\$ 5,865,145	\$ 56,698	\$ 66,516	\$ 6,632,717	\$ 5,931,661
Long-term liabilities (originally stated)	96,061,869	40,138,132	1,340,000	-	97,401,869	40,138,132
Total liabilities	\$ 102,637,888	\$ 46,003,277	\$ 1,396,698	\$ 66,516	\$ 104,034,586	\$ 46,069,793
Deferred outflows of resources	\$ 4,469,000	\$ -	\$ 104,000	\$ -	\$ 4,573,000	\$ -
Net investment in capital assets	\$ 4,824,366	\$ 4,214,826	\$ 128,129	\$ 139,736	\$ 4,952,495	\$ 4,354,562
Restricted	202,508	732,580	-	-	202,508	732,580
Unrestricted	(41,969,087)	16,651,262	(1,409,441)	41,371	(43,378,528)	16,692,633
Total net position	\$ (36,942,213)	\$ 21,598,668	\$ (1,281,312)	\$ 181,107	\$ (38,223,525)	\$ 21,779,775

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

Financial Analysis of the District as a Whole (Continued)

The results of this year's operations as a whole are reported in the statement of activities. Direct expenses are listed by programs, and then offset by program revenues to determine net revenue (expense) and changes in net position. General revenues, such as taxes, state subsidies, and investment earnings are then applied to determine the change in net position. For the 2014-2015 fiscal year, the change in net position for governmental activities was a decrease of \$58,540,881, and a decrease of \$1,462,419 for business-type activities, for a net total decrease of \$60,003,300 as reflected in the following chart.

Statement of Activities

	Governmental Activities		Business-Type Activities		Total Activities	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Program Revenues						
Charges for services	\$ 105,283	\$ 192,442	\$ 572,834	\$ 587,533	\$ 678,117	\$ 779,975
Operating and capital grants and contributions	5,944,714	5,605,044	857,946	795,824	6,802,660	6,400,868
Total program revenues	6,049,997	5,797,486	1,430,780	1,383,357	7,480,777	7,180,843
General Revenues						
Taxes	34,938,864	33,852,468	-	-	34,938,864	33,852,468
General subsidies	3,889,363	3,887,158	-	-	3,889,363	3,887,158
Investment earnings	52,413	33,878	141	86	52,554	33,964
Other local revenue	(18,730)	(2)	-	-	(18,730)	(2)
Total general revenues	38,861,910	37,773,502	141	86	38,862,051	37,773,588
Total revenues	44,911,907	43,570,988	1,430,921	1,383,443	46,342,828	44,954,431
Total Expenses	46,467,788	43,702,112	1,567,340	1,385,493	48,035,128	45,087,605
Changes in net position	(1,555,881)	(131,124)	(136,419)	(2,050)	(1,692,300)	(133,174)
Net position - as originally stated	21,598,668	22,390,063	181,107	183,157	21,779,775	22,573,220
Prior period adjustment	(56,985,000)	(660,271)	(1,326,000)	-	(58,311,000)	(660,271)
Net position - as restated	(35,386,332)	21,729,792	(1,144,893)	183,157	(36,531,225)	21,912,949
Net position - ending	\$ (36,942,213)	\$ 21,598,668	\$ (1,281,312)	\$ 181,107	\$ (38,223,525)	\$ 21,779,775

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

Financial Analysis of the District as a Whole (Continued)

Direct expenses represents the actual cost of providing the services while the net cost represents the amount of cost that is not recovered through program revenues, meaning user charges, grants, and contributions. The largest source of grants and contributions is state sources, which provided \$9,024,416 for governmental activities. The net cost of services must be recovered through general revenue, primarily real estate and income taxes. Amounts not recovered will reduce funds available for future years.

Governmental Activities						
	Direct Expenses		Program Revenues		Net Cost	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Instruction	\$ 30,862,121	\$ 28,584,737	\$ 4,670,357	\$ 4,201,587	\$ 26,191,764	\$ 24,383,150
Instructional student support	2,588,992	2,717,475	192,577	165,349	2,396,415	2,552,126
Administrative and financial support	5,313,271	4,630,519	86,363	331,981	5,226,908	4,298,538
Operation and maintenance of plant services	3,758,601	3,757,871	227,098	216,725	3,531,503	3,541,146
Pupil transportation	2,050,789	2,007,785	722,106	725,710	1,328,683	1,282,075
Student activities	918,695	905,289	102,031	93,167	816,664	812,122
Community services	1,454	3,260	-	-	1,454	3,260
Interest on long-term debt	973,865	1,095,176	49,465	62,967	924,400	1,032,209
Total governmental activities	\$ 46,467,788	\$ 43,702,112	\$ 6,049,997	\$ 5,797,486	\$ 40,417,791	\$ 37,904,626
State general subsidies revenue					(3,889,363)	(3,887,158)
Total needs from taxes and other local sources					\$ 36,528,428	\$ 34,017,468

Business-Type Activities						
	Direct Expenses		Program Revenues		Net Cost	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Food services	\$ 1,567,340	\$ 1,385,493	\$ 1,430,780	\$ 1,383,357	\$ 136,560	\$ 2,136
Investment earnings	-	-	141	86	(141)	(86)
Total business-type activities	\$ 1,567,340	\$ 1,385,493	\$ 1,430,921	\$ 1,383,443	\$ 136,419	\$ 2,050

The District Funds

At June 30, 2015, governmental funds reported a combined fund balance of \$14,435,529, which is a decrease of \$6,718,427 from June 30, 2014. This decrease was due to the expenditure of \$6,451,130 of 2014 Series General Obligation Bond proceeds within the District's Capital Projects Fund in place to fund financial obligations associated with HVAC upgrades at two District buildings and the use of \$267,297 of fund balance to meet 2014-2015 fiscal year General Fund operating needs.

	6/30/2015	6/30/2014	Change	% Change
General Fund				
Assigned	\$ 11,400,298	\$ 11,400,298	\$ -	0.00%
Unassigned	2,832,703	3,100,000	(267,297)	-8.62%
Capital Projects Fund	202,528	6,653,658	(6,451,130)	-96.96%
Total Governmental Fund Balances	\$ 14,435,529	\$ 21,153,956	\$ 6,718,427	31.76%

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

General Fund Budget

A general fund budget is adopted each year in accordance with the Pennsylvania School Code. The District applies for state and federal grants each year. Certain grants may not be anticipated during the budgeting process and must be added to the budget during the fiscal year. In addition, the grants that are anticipated during the budgeting process are based on estimates. The budget must then be modified based on the actual grant award.

Capital Assets

At June 30, 2015, the District had \$41,696,621 in governmental capital assets, which represents an increase of \$4,551,965. The increase was due to a combination of capital asset additions associated with annual District operations and construction in-progress exceeding depreciation.

	6/30/2015	6/30/2014	Change
Governmental Activities			
Land	\$ 215,004	\$ 215,004	\$ -
Land improvements	1,535,586	1,648,621	(113,035)
Construction-in-progress	-	1,944,697	(1,944,697)
Buildings and improvements	38,612,369	32,266,378	6,345,991
Furniture and equipment	1,294,911	1,012,008	282,903
Library books	38,751	57,948	(19,197)
Total governmental capital assets	<u>41,696,621</u>	<u>37,144,656</u>	<u>4,551,965</u>
Business-Type Activities			
Total business capital assets	<u>128,129</u>	<u>139,736</u>	<u>(11,607)</u>
Total capital assets	<u>\$ 41,824,750</u>	<u>\$ 37,284,392</u>	<u>\$ 4,540,358</u>

Debt Administration

Bonds payable were \$36,250,000 and \$38,160,000 at June 30, 2015 and 2014, respectively. The amount of bond principal due within one year is \$2,455,000. Moody's Corporation has assigned its municipal bond rating of "Aa3" to all outstanding series of bonds.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015**

Next Year's Budget and Economic

The new budget for 2015-2016 represents an increase in total expenditures of 7.01%. This increase is largely due to an increase in Pennsylvania School Employee Retirement System (PSERS) expenditures. The 2015-2016 budgeted revenue does not include a real estate tax increase.

There are no changes to economic factors that are expected to have a significant impact on our 2015-2016 budget.

Contacting the District's Financial Management

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the funds it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager, Oslwen C. Anderson, Jr., of Susquehanna Township School District, 2579 Interstate Drive, Harrisburg, PA 17110, (717) 657-5100.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,493,460	\$ 197,293	\$ 14,690,753
Investments	4,000,000	-	4,000,000
Internal balances	246,435	(246,435)	-
Receivables	5,855,339	20,378	5,875,717
Inventories	-	32,021	32,021
Capital assets			
Land	215,004	-	215,004
Other capital assets, net of depreciation	41,481,617	128,129	41,609,746
Total capital assets	41,696,621	128,129	41,824,750
Total assets	\$ 66,291,855	\$ 131,386	\$ 66,423,241
Deferred Outflows of Resources			
Deferred amounts on pension liability	\$ 3,854,000	\$ 88,000	\$ 3,942,000
Deferred amounts on refunding debt	18,820	-	18,820
Total deferred outflows of resources	\$ 3,872,820	\$ 88,000	\$ 3,960,820
Liabilities			
Accounts payable and accrued expenses	\$ 6,566,146	\$ 34,974	\$ 6,601,120
Unearned revenues	9,873	21,724	31,597
Long-term liabilities			
Due within one year	2,609,337	-	2,609,337
Due in more than one year	93,452,532	1,340,000	94,792,532
Total long-term liabilities	96,061,869	1,340,000	97,401,869
Total liabilities	\$ 102,637,888	\$ 1,396,698	\$ 104,034,586
Deferred Inflows of Resources			
Deferred amounts on pension liability	\$ 4,469,000	\$ 104,000	\$ 4,573,000
Net Position			
Net investment in capital assets	\$ 4,824,366	\$ 128,129	\$ 4,952,495
Restricted	202,508	-	202,508
Unrestricted	(41,969,087)	(1,409,441)	(43,378,528)
Total net position	\$ (36,942,213)	\$ (1,281,312)	\$ (38,223,525)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 30,862,121	\$ 10,197	\$ 4,645,160	\$ 15,000	\$ (26,191,764)	\$ -	\$ (26,191,764)
Instructional student support	2,588,992	-	192,577	-	(2,396,415)	-	(2,396,415)
Administration and financial services	5,313,271	-	86,363	-	(5,226,908)	-	(5,226,908)
Operation and maintenance of plant services	3,758,601	51,106	175,992	-	(3,531,503)	-	(3,531,503)
Pupil transportation	2,050,789	-	722,106	-	(1,328,683)	-	(1,328,683)
Student activities	918,695	43,980	58,051	-	(816,664)	-	(816,664)
Community services	1,454	-	-	-	(1,454)	-	(1,454)
Interest on long-term debt	973,865	-	-	49,465	(924,400)	-	(924,400)
Total governmental activities	46,467,788	105,283	5,880,249	64,465	(40,417,791)	-	(40,417,791)
Business-Type Activities:							
Food Service	1,567,340	572,834	857,946	-	-	(136,560)	(136,560)
Total primary government	\$ 48,035,128	\$ 678,117	\$ 6,738,195	\$ 64,465	\$ (40,417,791)	\$ (136,560)	\$ (40,554,351)

General Revenues:

Property taxes, levied for general purposes, net	\$ 27,726,136	\$ -	\$ 27,726,136
Public utility, realty transfer, earned income and other taxes for general purposes, net	7,212,728	-	7,212,728
Grants, subsidies and contributions not restricted	3,889,363	-	3,889,363
Investment earnings	52,413	141	52,554
Miscellaneous income (expenses)	(18,730)	-	(18,730)
Total general revenues and transfers	38,861,910	141	38,862,051

Changes in net position

	(1,555,881)	(136,419)	(1,692,300)
Net position - July 1, 2014 (as previously reported)	21,598,668	181,107	21,779,775
Prior period adjustment (see Note 9)	(56,985,000)	(1,326,000)	(58,311,000)
Net position - July 1, 2014 (restated)	(35,386,332)	(1,144,893)	(36,531,225)
Net position - June 30, 2015	\$ (36,942,213)	\$ (1,281,312)	\$ (38,223,525)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 14,290,932	\$ 202,528	\$ 14,493,460
Investments	4,000,000	-	4,000,000
Taxes receivable	4,713,648	-	4,713,648
Due from other funds	243,943	-	243,943
Due from other governments	1,141,691	-	1,141,691
Total assets	<u>\$ 24,390,214</u>	<u>\$ 202,528</u>	<u>\$ 24,592,742</u>
Liabilities			
Accounts payable	\$ 1,118,476	\$ -	\$ 1,118,476
Accrued salaries and benefits	2,825,879	-	2,825,879
Payroll deductions and withholdings	2,493,967	-	2,493,967
Unearned revenues	9,873	-	9,873
Total liabilities	<u>6,448,195</u>	<u>-</u>	<u>6,448,195</u>
Deferred Inflows of Resources			
Delinquent property taxes	<u>3,709,018</u>	<u>-</u>	<u>3,709,018</u>
Fund Balances			
Restricted	-	202,528	202,528
Assigned	11,400,298	-	11,400,298
Unassigned	2,832,703	-	2,832,703
Total fund balances	<u>14,233,001</u>	<u>202,528</u>	<u>14,435,529</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 24,390,214</u>	<u>\$ 202,528</u>	<u>\$ 24,592,742</u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2015

Total fund balances - governmental funds	\$ 14,435,529
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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, they are not reported as assets in governmental funds. The cost of assets is \$63,218,032, and the accumulated depreciation is \$21,521,411.

	41,696,621
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Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures; and therefore, they are deferred inflows of resources in the funds.

	3,709,018
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The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.

	18,820
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Deferred inflows and outflows of resources related to pensions are applicable to future period and; therefore, are not reported within the funds. Deferred outflows and inflows related to pensions are as follows (see footnotes for detail):

Deferred outflows	3,854,000
Deferred inflows	(4,469,000)

Long-term liabilities; including bonds payable, net pension liabilities, compensated absences, and other post-employment benefits; are not due and payable in the current period, and therefore, they are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable, including bond premium/discount	(36,891,095)	
Accrued interest	(125,332)	
Net pension liability	(57,557,000)	
Other post-employment benefits	(706,905)	
Compensated absences	(682,869)	
Accrued retirement bonus	(224,000)	(96,187,201)
		<hr/>

Total net position - governmental activities	\$ (36,942,213)
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See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Totals Governmental Funds
Revenues			
Local sources	\$ 35,397,680	\$ 17,596	\$ 35,415,276
State sources	9,024,416	-	9,024,416
Federal sources	314,267	-	314,267
Total revenues	<u>44,736,363</u>	<u>17,596</u>	<u>44,753,959</u>
Expenditures			
Instructional	28,331,582	-	28,331,582
Support services	12,867,144	-	12,867,144
Noninstructional services	842,896	-	842,896
Capital outlay	-	6,468,726	6,468,726
Debt service	2,943,310	-	2,943,310
Refund of prior year's receipts	18,728	-	18,728
Total expenditures	<u>45,003,660</u>	<u>6,468,726</u>	<u>51,472,386</u>
Net changes in fund balances	(267,297)	(6,451,130)	(6,718,427)
Fund Balances:			
July 1, 2014	14,500,298	6,653,658	21,153,956
June 30, 2015	<u>\$ 14,233,001</u>	<u>\$ 202,528</u>	<u>\$ 14,435,529</u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

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

Year Ended June 30, 2015

Net changes in fund balances - governmental funds	\$ (6,718,427)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which depreciation and dispositions of capital assets exceeds capital outlays.

Capital outlays	6,376,938	
Less depreciation expense	<u>(1,824,973)</u>	4,551,965

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

176,678

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest accrued in the Statement of Activities from the amount due is shown here.

(9,188)

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.

District pension contributions	3,782,000
Cost of benefits earned net of employee contributions (pension expense)	<u>(4,969,000)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and; therefore, are not reported as revenues in governmental funds.

Change in compensated absences	(30,507)
Change in other post-employment benefits	(356,035)
Change in accrued retirement bonus	<u>38,000</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction; however, have an effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	1,910,000	
Amortization of bond issuance premium/discount	71,805	
Amortization of refunding loss	<u>(3,172)</u>	1,978,633

Changes in net position of governmental activities	\$ <u>(1,555,881)</u>
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See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND Year Ended June 30, 2015

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 35,778,752	\$ 35,778,752	\$ 35,397,680	\$ (381,072)
State sources	8,646,401	8,646,401	9,024,416	378,015
Federal sources	401,100	401,100	314,267	(86,833)
Total revenues	44,826,253	44,826,253	44,736,363	(89,890)
Expenditures				
Instructional services	27,655,865	27,655,865	28,331,582	(675,717)
Support services	13,292,319	13,292,319	12,867,144	425,175
Noninstructional services	944,132	944,132	842,896	101,236
Debt service	2,933,937	2,933,937	2,943,310	(9,373)
Refund of prior year's receipts	-	-	18,728	(18,728)
Total expenditures	44,826,253	44,826,253	45,003,660	(177,407)
Net changes in fund balance	\$ -	\$ -	(267,297)	\$ (267,297)
Fund Balances - July 1, 2014			14,500,298	
Fund Balances - June 30, 2015			\$ 14,233,001	

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

June 30, 2015

Assets	
Cash and cash equivalents	\$ 197,293
Receivables	
Federal subsidies	19,167
State subsidies	1,211
Inventories	32,021
Other capital assets, net of depreciation	128,129
Total assets	<u><u>\$ 377,821</u></u>
Deferred Outflows of Resources	
Deferred amounts on pension liability	<u><u>\$ 88,000</u></u>
Liabilities	
Internal balances	\$ 246,435
Accounts payable	29,894
Unearned revenues	21,724
Accrued salaries and benefits	5,080
Net pension liability	1,340,000
Total liabilities	<u><u>\$ 1,643,133</u></u>
Deferred Inflows of Resources	
Deferred amounts on pension liability	<u><u>\$ 104,000</u></u>
Net Position	
Net investment in capital assets	\$ 128,129
Unrestricted	(1,409,441)
Total net position	<u><u>\$(1,281,312)</u></u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE

Year Ended June 30, 2015

Operating Revenues	
Food service revenues	\$ 572,834
Operating Expenses	
Salaries	444,160
Employee benefits	286,180
Purchased professional and technical services	1,790
Purchased property services	39,738
Other purchased services	43,649
Supplies	740,216
Depreciation	11,607
Total operating expenses	1,567,340
Operating loss	(994,506)
Nonoperating Revenues	
Investment earnings	141
State sources	104,010
Federal sources	753,936
Total nonoperating revenues	858,087
Changes in net position	(136,419)
Net Position - July 1, 2014 (as previously reported)	181,107
Prior period adjustment (see Note 9)	(1,326,000)
Net Position - June 30, 2014 (restated)	(1,144,893)
Net Position - June 30, 2015	\$ (1,281,312)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE Year Ended June 30, 2015

Cash Flows From Operating Activities	
Cash received from meal sales	\$ 573,037
Cash payments for goods and services	(773,655)
Cash payments to employees for services	(515,337)
Net cash used in operating activities	(715,955)
Cash Flows From Noncapital Financing Activities	
State sources	104,610
Federal sources	681,503
Net cash provided by noncapital financing activities	786,113
Cash Flows From Investing Activities	
Investment earnings	141
Net increase in cash and cash equivalents	70,299
Cash and Cash Equivalents:	
July 1, 2014	126,994
June 30, 2015	\$ 197,293
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (994,506)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	11,607
Value of donated commodities	79,265
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	(13,370)
Deferred outflows of resources	(88,000)
(Decrease) increase in:	
Internal balances	180,867
Accounts payable	(14,157)
Unearned revenue	203
Accrued salaries and benefits	4,136
Other long-term liabilities	14,000
Deferred inflows of resources	104,000
Net cash used in operating activities	\$ (715,955)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Private-Purpose Trust Fund	Agency Activity Fund
Assets		
Cash and cash equivalents	\$ 158,966	\$ 199,255
Other receivables	-	2,492
Total assets	<u>\$ 158,966</u>	<u>\$ 201,747</u>
Liabilities		
Accounts payable	\$ -	\$ 23,650
Due to student groups	-	178,097
Total liabilities	<u>\$ -</u>	<u>\$ 201,747</u>
Net Position		
Held in trust for scholarships	\$ 158,966	\$ -
Total net position	<u>\$ 158,966</u>	<u>\$ -</u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION Year Ended June 30, 2015

	Private-Purpose Trust Fund
Additions	
Gifts and contributions	\$ 2,515
Investment earnings	326
Total additions	<u>2,841</u>
Deductions	
Scholarships awarded	8,615
Other deductions	8,969
Total deductions	<u>17,584</u>
Change in net position	(14,743)
Net Position - July 1, 2014	173,709
Net Position - June 30, 2015	<u><u>\$ 158,966</u></u>

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Susquehanna Township School District (the District), located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12th to students living in Dauphin County municipality of Susquehanna Township. These include regular, advanced academic programs, vocational education programs, and special education programs for gifted and handicapped children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District operates two elementary schools, one middle school, and one high school, serving approximately 3,000 students.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units. The District does; however, participate in jointly-governed organizations which are described in Note 12.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds, and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic-resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as an expense against current operations and accumulated depreciation is reported in the Statement of Net Position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned, or unassigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates a proprietary fund, the food service fund. This fund accounts for the activities of the District's food service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures, which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund types:

Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

Private-Purpose Trust Fund - The private purpose trust fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to students as prescribed by donor stipulations.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting

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

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. Management submits to the Board for consideration, a draft operating budget projection or other information to review, for the fiscal year commencing the following July 1. The Board determines if it will approve a resolution to keep any tax increase below the index by the PDE deadline.
2. If the Board adopts the resolution, management must submit to the Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
4. At public board meetings, information is presented and debated. The public is welcome to comment on the budget.
5. Prior to June 30, legislation requires a budget to be legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the School Board at the sub-function/major object level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. 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.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, the District increases the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserves a portion of fund balance in a like amount. There were no outstanding encumbrances for the year ended June 30, 2014.
9. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: Cash and cash equivalents include amounts in demand and interest bearing bank deposits.

Investments: Investments are stated at fair value.

Inventories: There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food supplies on hand at June 30, 2015, including the value of commodities donated by the federal government. The District has adopted a single inventory-recordkeeping system which does not distinguish between donated and purchase commodities. Accordingly, no unearned revenues for donated commodities have been recorded.

Taxes Receivable and Estimated Uncollectible Taxes: Taxes receivable are presented net of estimated uncollectible balances, which represents managements estimated of outstanding per capita and occupational taxes which will not be collected.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at the discretion of management. Management considers various factors in the capitalization of assets, including the asset's estimated useful life, cost, and the extent to which the asset is part of a larger capital project. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation is provided for fixed assets on the straight-line basis over the following estimated useful lives:

Asset Class	Years
Building and Building Improvements	25-50
Land Improvements	20-25
Furniture and Equipment	5-20
Vehicles	5-10
Library Books	10

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Deferred Outflows of Resources - Pensions: The District recognizes the difference between employer contributions and proportionate share of total contributions and the contributions subsequent to the measurement date June 30, 2014, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds. Bond insurance costs are deferred as prepaid expenses and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Compensated Absences: The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with postemployment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employee's Retirement System, a governmental cost-sharing multiple-employer defined-benefit pension plan. The District provides access to retiree medical, prescription drug, vision, and dental care benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

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 to 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.

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

Deferred Inflows of Resources - Pensions: The District recognizes the net difference between projected and actual investment earnings of the pension plan and changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Net Position: The District's net position classifications are defined and described as follows:

- Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted net position - consists of net position with constraints placed on the use of either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Balance: The District's fund balance classifications are defined and described as follows:

- Nonspendable - Amounts that cannot be spent because they are in a nonspendable form (e.g. inventory) or legally or contractually required to be maintained intact (e.g. principal of a permanent fund).
- Restricted - Amounts limited by external parties, or legislation (e.g. grants or donations).
- Committed - Items that have been committed by formal action by the entity's "highest level of decision-making authority"; which the District considers to be Board Resolutions (e.g. future anticipated costs). This level of approval has been reported in the general fund in establishing the retirement rate and health insurance rate stabilization funds.
- Assigned - Items that have been allocated by committee action or individual authorized by the governing board. These amounts are intended for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future. The District considers this level of authority to be the school board, superintendent, or business manager.
- Unassigned - Amounts available for consumption or not restricted in any manner.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance, and then the unassigned balance.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. They are presented along with other designations of fund balance in funds that are restricted, committed or assigned and are not separately classified in the financial statements. As of June 30, 2015, the District had no encumbrances.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Implementation of New Accounting Principle: In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which amends GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for the District's 2015 financial statements.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through January 7, 2016, the date the financial statements were available to be issued.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds consistent with sound business practices in the following types of investments:

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of June 30, 2015, \$13,790,287 of the District's total bank balances of \$14,040,287 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72	\$ 13,790,287

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

As of June 30, 2015, the District had the following investments:

Investment	Months to Maturity		Fair Values	Rating
	0-6			
Pennsylvania School District Liquid Asset Fund (PSDLAF)				
Max Series (PSDMAX)	\$	1,294,165	\$ 1,294,165	AAAmm
Collateralized CD Investment Pool Program (CD Pool)		4,000,000	4,000,000	NA
Total PSDLAF		5,294,165	5,294,165	
Pennsylvania Local Government Investment Trust (PLGIT)				
PLGIT-Class Shares (Class)		159,510	159,510	AAAmm
PLGIT/PLUS -Class Shares (Class)		6,830	6,830	AAAmm
Total PLGIT		166,340	166,340	
Total Investment	\$	5,460,505	\$ 5,460,505	

Portfolio Assets

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

The CD Pool is collateralized in accordance with Act 72 and invests in certificate of deposits in the name of PSDLAF.

PLGIT invests in U.S. Treasury and agency securities, and repurchase agreements secured by such obligations, as well as in certain municipal obligations, and collateralized or insured certificates of deposit. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

Interest-Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments. The District has no investment policy that would further limit its investment choices. As of June 30, 2015, the District's investments in PSDLAF and PLGIT were rated AAAm by Standard & Poor's, respectively.

Concentration-of-Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are with PSDLAF and PLGIT.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Property Taxes

Based upon assessed valuations provided by the County, the District bills and collects its own property taxes. The schedule for property taxes levied for 2014-2015 is as follows:

July 1, 2014	Tax levy date
Through September 30, 2014	2% discount
October 1 - November 30, 2014	Face payment period
December 1 - December 31, 2014	10% penalty period
January 1, 2015	Lien filing date

The District's tax rate for all purposes in 2014-2015 was 17.02 mills (\$17.02 per \$1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania's accounting system. Current tax collections for the District were approximately 96% of the total tax levy.

Note 4. Taxes Receivable, Deferred Inflows of Resources, and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2015, are as follows:

	Amount
Uncollected taxes	\$ 5,520,061
Estimated uncollectible taxes	<u>(806,413)</u>
Taxes Receivable - Net	<u>\$ 4,713,648</u>
Taxes to be collected within 60 days	\$ 1,004,630
Deferred inflows of resources - delinquent property taxes	<u>3,709,018</u>
Taxes Receivable - Net	<u>\$ 4,713,648</u>

The District estimates its uncollectible taxes for outstanding Per Capita and Occupational taxes based on the number of years the taxes are outstanding.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2015, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	\$ 243,943	\$ -
Proprietary Funds		
Food Service	-	246,435
Fiduciary Funds		
Student Activities Fund	2,492	-
	<u>\$ 246,435</u>	<u>\$ 246,435</u>

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Transfers and payments within the District are substantially for purposes of subsidizing operating functions or funding capital projects and asset acquisitions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. There were no operating transfers between funds during the year ended June 30, 2015.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets

Capital asset activity for governmental-type and business-type activities for the year ended June 30, 2015, was as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 215,004	\$ -	\$ -	\$ 215,004
Construction-in-progress	1,944,697	-	(1,944,697)	-
Total capital assets not being depreciated	2,159,701	-	(1,944,697)	215,004
Capital assets being depreciated				
Land improvements	3,203,614	8,499	-	3,212,113
Buildings and building improvements	47,677,695	7,840,110	-	55,517,805
Furniture and equipment	3,608,113	473,026	-	4,081,139
Library books	191,971	-	-	191,971
Total capital assets being depreciated	54,681,393	8,321,635	-	63,003,028
Less accumulated depreciation				
Land and site improvements	1,554,993	121,534	-	1,676,527
Buildings and building improvements	15,411,317	1,494,119	-	16,905,436
Furniture and equipment	2,596,105	190,123	-	2,786,228
Library books	134,023	19,197	-	153,220
Total accumulated depreciation	19,696,438	1,824,973	-	21,521,411
Total capital assets being depreciated, net	34,984,955	6,496,662	-	41,481,617
Total Governmental Activities, Capital Assets - Net	\$ 37,144,656	\$ 6,496,662	\$ (1,944,697)	\$ 41,696,621
Business-Type Activities				
Capital assets being depreciated, equipment	\$ 734,900	\$ -	\$ -	\$ 734,900
Less accumulated depreciation, equipment	595,164	11,607	-	606,771
Total Business-Type Activities, Capital Assets - Net	\$ 139,736	\$ (11,607)	\$ -	\$ 128,129

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 1,319,844
Instructional student support	132,019
Administration and financial support	212,664
Operation and maintenance of plant services	120,650
Student activities	39,796
Total Governmental Activities	<u>1,824,973</u>
Business-Type Activities	
Food Service	11,607
Total School District	<u>\$ 1,836,580</u>

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2015, and transactions during the year then ended follows:

	July 1, 2014 (restated)	Increases	Decreases	June 30, 2015	Due within one year
General Obligation Bonds					
Series of 2011	\$ 5,365,000	\$ -	\$ (380,000)	\$ 4,985,000	\$ 395,000
Series of 2012	9,985,000	-	(5,000)	9,980,000	185,000
Series A of 2012	7,250,000	-	(170,000)	7,080,000	500,000
Series of 2013	8,205,000	-	(1,350,000)	6,855,000	1,370,000
Series of 2014	7,355,000	-	(5,000)	7,350,000	5,000
Total General Obligation Bonds	<u>38,160,000</u>	-	(1,910,000)	36,250,000	2,455,000
Unamortized bond premium/(discount)	712,900	-	(71,805)	641,095	-
Total Long-Term Debt	<u>38,872,900</u>	-	(1,981,805)	36,891,095	2,455,000
Other Long-Term Obligations					
Net pension liability (Note 9)	61,364,000	-	(2,467,000)	58,897,000	-
Compensated absences	652,362	30,507	-	682,869	154,337
Accrued retirement bonus	262,000	-	(38,000)	224,000	-
Other post-employment benefits (Note 10)	350,870	356,035	-	706,905	-
Total Other Long-Term Obligations	<u>62,629,232</u>	386,542	(2,505,000)	60,510,774	154,337
Total Long-Term Obligations	<u>\$ 101,502,132</u>	\$ 386,542	\$ (4,486,805)	\$ 97,401,869	\$ 2,609,337

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2011 - On June 28, 2011, the District issued General Obligation Bonds - Series of 2011, in the principal amount of \$6,030,000. The proceeds provided funds to purchase equipment and improvements previously leased as part of the 2008 operating lease, and to pay the costs and expense of issuing the bonds. The interest rate of the note is between 3.00% and 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$85,000 to \$540,000 through May 15, 2026.

General Obligation Bonds - Series of 2012 - On July 23, 2012, the District issued General Obligation Bonds - Series of 2012, in the principal amount of \$9,995,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$1,244,079. Interest is payable semi-annually at rates between 0.40% and 2.40%. The bonds mature serially in amounts ranging from \$5,000 to \$2,160,000 through May 15, 2025.

General Obligation Bonds - Series A of 2012 - On August 28, 2012, the District issued General Obligation Bonds - Series A of 2012, in the principal amount of \$7,270,000. These bonds were issued to currently refund a portion of General Obligation Bonds Series of 2004, Series of 2006, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$797,000. Interest is payable semi-annually at rates between 0.50% and 2.38%. The bonds mature serially in amounts ranging from \$10,000 to \$2,005,000 through May 15, 2024.

General Obligation Bonds - Series of 2013 - On August 19, 2013, the District issued General Obligation Bonds - Series of 2013, in the principal amount of \$9,520,000. These bonds were issued to currently refund General Obligation Bonds Series of 2008, Series of 2009, and to pay expenses related to the issuance of the bonds. The economic gain on the refunding of the bonds was \$783,860. Interest is payable semi-annually at rates between 0.21% and 3.85%. The bonds mature serially in amounts ranging from \$290,000 to \$1,395,000 through November 15, 2027.

General Obligation Bonds - Series of 2014 - On April 28, 2014, the District issued General Obligation Bonds - Series of 2011, in the principal amount of \$7,355,000. The proceeds provided funds to purchase energy conservation upgrades to Thomas J. Holtzman, Jr. Elementary School, and to pay the costs and expense of issuing the bonds. The interest rate of the note is between 0.35% and 4.00%. Interest is payable semi-annually, and the bonds mature serially in amounts ranging from \$5,000 to \$2,645,000 through May 15, 2028.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

The maturity of the long-term debt issues are as follows:

Years	General Obligation Debt		
	Principal	Interest	Total
2015-2016	\$ 2,455,000	\$ 1,013,853	\$ 3,468,853
2016-2017	2,515,000	965,098	3,480,098
2017-2018	2,565,000	907,188	3,472,188
2018-2019	2,640,000	834,440	3,474,440
2019-2020	2,695,000	777,640	3,472,640
2020-2025	14,480,000	2,898,900	17,378,900
2025-2028	8,900,000	690,994	9,590,994
	<u>\$ 36,250,000</u>	<u>\$ 8,088,113</u>	<u>\$ 44,338,113</u>

Compensated Absences

The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

Accrued Retirement Bonus

The employees are also offered additional retirement payouts as prescribed in the contract if certain conditions are met. The total liability for accrued retirement bonuses is presented in the Statement of Net Position.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Lease

Lease Rental Debt - Series of 2015, was issued by the Dauphin County Technical School (DCTS) to provide funds to current refund the Series of 2007 School Lease Revenue Bonds. The Series of 2007 Bonds were issued to construct improvements and renovations to the Dauphin County Technical School. The Dauphin County Technical School Board and six member school districts entered into a lease agreement with DCTS and will each pay their proportionate share of the lease rentals in order to fund the lease revenue bonds. Minimum future rental payments under this operating lease are as follows:

Year	Amount
2016	\$ 87,450
2017	113,911
2018	221,850
2019	222,145
2020	222,543
2020-2025	1,109,902
2025-2030	1,110,707
2030-2031	222,138
	<u>\$ 3,310,646</u>

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan

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 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 of 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 (c) 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 on 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.

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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Contribution Rates

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 Classes T-E and 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 District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2015, the District's rate of contribution was 21.40% of covered payroll. The 21.40% rate is composed of a pension contribution rate of 20.50% for pension benefits and 0.90% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the total District's rate. The District's contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, were \$4,003,707, \$3,212,339, and \$2,402,255 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2015 the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$2,011,589.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$58,897,000 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 related to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.1488 percent, which was a decrease of 0.0011 percent from its proportion measured as of June 30, 2013.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$5,070,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	4,210,000
Changes in proportions	-	363,000
Difference between employer contributions and proportionate share of total contributions	72,000	-
Contributions subsequent to the measurement date	3,870,000	-
	<u>\$ 3,942,000</u>	<u>\$ 4,573,000</u>

\$3,870,000 is reported as deferred outflows 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 the pension expense as follows:

Years	Amount
2016	\$ (1,123,000)
2017	(1,123,000)
2018	(1,123,000)
2019	(1,123,000)
2020	(9,000)
	<u>\$ (4,501,000)</u>

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 measurements:

- Actuarial Cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- 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

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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 PSERS 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 PSERS 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%	90.0%
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>100.0%</u>	

The above table was the PSERS 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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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. 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 73,465,000	\$ 58,897,000	\$ 46,458,000

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.

Plan Payables

At June 30, 2015, the District has payables to the PSERS pension plan of \$2,844,837. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2015.

Prior Period Adjustment – GASB No. 68 Implementation

Implementation of GASB No. 68 required the District to recognize net pension liability, deferred outflows of resources and deferred inflows of resources for its proportionate share of the PSERS net pension liability as of June 30, 2013. This resulted in decreases in governmental and business-type activities' net positions of \$56,985,000 and \$1,326,000, respectively as of July 1, 2014.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits

The plan description and funding policy for the District is summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
<u>I. Administrators</u>	Must be eligible for PSERS retirement	Coverage: Medical, Prescription Drug, and Dental and Vision coverage Premium Sharing: Member must pay full premium as determined for the purpose of COBRA Dependents: Spouse and family included	Until member is eligible for Medicare
<u>II. Teachers</u>	Must be eligible for PSERS retirement	Same as I	Same as I
<u>III. Support Staff</u>	Must be eligible for PSERS retirement	Same as I	Same as I
<u>IV. Teamsters Staff</u>	Must be eligible for PSERS retirement	Same as I	Same as I
<u>Notes: PSERS</u> Retirement: 1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age. 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. 3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Coordination with Medicare benefits: Medicare pays primary. Continued life insurance coverage is available; however, no one has ever elected such coverage.			

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Continued)

Funding Progress

For the year ended June 30, 2015, the District has estimated the cost (annual expense) of providing retiree health, vision, and dental care benefits through an actuarial valuation as of March 1, 2014. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 622,016
Interest on Net OPEB Obligation	15,789
Less adjustment to the annual required contribution	(53,195)
Annual OPEB cost	584,610
Amounts contributed:	
Payments of current premiums and claims	(228,575)
Increase in net OPEB obligation	356,035
OPEB obligation - beginning of year	350,870
OPEB obligation - end of year	\$ 706,905

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the current are as follows:

Fiscal Year ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 180,294	129.6%	\$ 275,721
June 30, 2014	188,239	60.1%	350,870
June 30, 2015	584,610	39.1%	706,905

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts are determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the 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 actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 1, 2014, actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include an annual health care cost trend rate of 6.5% in 2014, decreasing by 0.5% per year to 5.5% in 2016. Rates gradually decrease from 5.5% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Rates include a 4.5% inflation assumption. The UAAL is being amortized based on a level dollar method over an 8 year open period.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Fund Balance Designations

Restricted

The District has third-party restrictions on amounts reported in the Capital Projects fund, including those amounts under bond-agreement and capital reserve statutory restrictions.

Assigned

The District has assigned certain portions of the General Fund balance as follows:

Description of assigned	Amount
Assigned for Future Health Insurance Payments	\$ 2,000,000
Assigned for future capital projects	2,247,099
Assigned for future PSERS obligations	7,153,199
	<u>\$ 11,400,298</u>

Note 12. Joint Ventures

Dauphin County Technical School (DCTS)

The District is one of six member school districts of the Dauphin County Technical School (DCTS). DCTS provides vocational-technical training and education to participating students of the member districts. DCTS is controlled and governed by the Dauphin County Area Vocational Technical School Joint Board (Vo-Tech Board) which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of DCTS. The DCTS is not reported as part of the District's reporting entity. The District's share of annual operating costs for DCTS fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2015, was approximately \$941,870. In 2007, the DCTS entered into an agreement with the member school districts and the Vo-Tech Board to construct improvements to the school's premise and facilities. The District has a financial responsibility to the DCTS for a portion of the debt obligation relating to these improvements. The balance of the District's share of this obligation at June 30, 2015, was \$3,310,647. Complete general purpose financial statements for DCTS can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Joint Ventures (Continued)

Dauphin County Area Vocational-Technology School Authority

The District is also a member of the Dauphin County Area Vocational-Technical School Authority (Authority). In 1983, the Authority entered into an agreement with the member school districts and the Vo-Tech Board to acquire land and construct buildings to provide the facilities for the operation of DCTS. In 1997, the Authority entered into an additional agreement with the same parties to provide funding for the upgrading and modernization of the DCTS facilities. The District has an ongoing financial responsibility to the Authority for a portion of the debt obligation relating to these improvements. The District's lease payment to the Authority for the year ended June 30, 2015, was \$182,182, which has been reported in the District's general fund and is detailed in Note 8. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Capital Area Intermediate Unit (CAIU)

The CAIU Board of Directors consists of members from the IU's constituent school districts. The CAIU Board members are school district board members who are elected by the public and are appointed to the CAIU Board by the member school districts' Boards of Directors. Susquehanna Township School District and one other school district alternate responsibility for appointing one of these members. The CAIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Susquehanna Township School District contracts with the CAIU for special education services for District students. The amount paid for these services in the year ended June 30, 2015, was approximately \$1,038,062. Complete financial information for CAIU can be obtained from the Administrative Office at 55 Miller Street, Enola, PA 17025-1640.

Note 13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2015, the District did not incur any significant losses that were not covered by insurance.

Note 14. Commitments

The District has approved \$340,000 of construction projects as of June 30, 2015, all of which is an outstanding.

REQUIRED SUPPLEMENTARY INFORMATION

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POST-EMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
3/1/2010	\$ -	\$ 1,316,818	\$ 1,316,818	0.00%	\$ 16,497,670	7.98%
3/1/2012	\$ -	\$ 985,794	\$ 985,794	0.00%	\$ 17,067,118	5.78%
3/1/2014	\$ -	\$ 2,760,040	\$ 2,760,040	0.00%	\$ 17,629,555	15.66%

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY Year Ended June 30, 2015

District's proportion of the net pension liability	\$ 58,897,000
District's proportionate share of the net pension liability	0.1488%
District's covered-employee payroll	\$ 18,985,367
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.22%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Year Ended June 30, 2015

Contractually required contribution	\$ 3,631,000
Contributions in relation to the contractually required contribution	(3,631,000)
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	18,910,852
Contributions as a percentage of covered-employee payroll	19.20%

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of School Directors
Susquehanna Township School District
Harrisburg, 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 Susquehanna Township School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Susquehanna Township School District's basic financial statements, and have issued our report thereon dated January 7, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2015-001, 2015-002, and 2015-003 to be significant deficiencies.

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.

Compliance and Other Matters

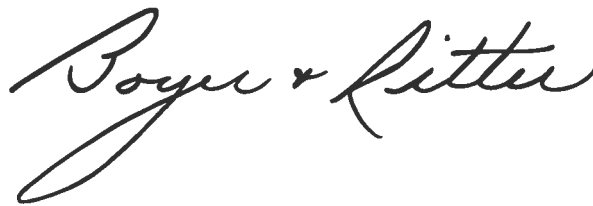
As part of obtaining reasonable assurance about whether Susquehanna Township School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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*.

Susquehanna Township School District's Response to Findings

Susquehanna Township School District's response to the internal control over financial reporting findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. Susquehanna Township School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 black ink, reading "Boyer & Ritter". The signature is written in a cursive style with a large, sweeping initial 'B' and a stylized 'R'.

Camp Hill, Pennsylvania
January 7, 2016

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

Board of School Directors
Susquehanna Township School District
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Susquehanna Township 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 Susquehanna Township School District's major federal programs for the year ended June 30, 2015. Susquehanna Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 Susquehanna Township 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 Susquehanna Township School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 Susquehanna Township School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Susquehanna Township 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

The management of Susquehanna Township 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 Susquehanna Township 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 Susquehanna Township School District's internal control over compliance.

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

Camp Hill, Pennsylvania
January 7, 2016

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☒ Yes ☐ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? ☐ Yes ☒ No

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
	Child Nutrition Cluster
10.555	National School Lunch Program - Food Donation
10.553	School Breakfast Program
10.555	National School Lunch Program
	IDEA - Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between
type A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

___ Yes X No

Section II - Financial Statement Findings

A. Significant Deficiencies in Internal Control

Finding 2015-001

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Condition and context: The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

Cause and effect: It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

Recommendations: We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

Views of responsible officials and planned corrective actions: Several years ago when GASB No.34 was introduced and additional financial statements were required, larger Districts added accountants and CPAs to their staff while smaller Districts with fewer resources contracted with their accounting firms to draft statements. At this time the District is continuing the practice of hiring a third party to draft its statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Section II - Financial Statement Findings (Continued)

A. Significant Deficiencies in Internal Control (Continued)

Finding 2015-002

Criteria: Reconciliations of bank balances to the general ledger should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the books properly.

Condition and context: During our audit, we noted that certain cafeteria fund bank statements were accumulated for several months without reconciliation to the general ledger controls.

Cause: The District's Business Office experienced gaps in personnel during the prior year which impaired their capability to process, record, and reconcile all transactions on a timely basis in the current year as they reconciled prior year records. During this time frame, new cafeteria staff were being trained on reconciliation processes and the accounting software.

Effect: The District's staff and Board of Directors cannot reasonably rely on financial records without the performance of bank reconciliations.

Recommendations: We recommend all of the bank accounts be reconciled monthly to the general ledger and that any differences be promptly investigated and adjusted with adequate explanations. Ideally, all bank accounts should be reconciled no later than the 20th day of the following month or within a week of receipt of the bank statements.

Views of responsible officials and planned corrective actions: The District acknowledges the finding. The district has reconciled all bank accounts to the current reporting periods. It should be noted that the District has created a uniform bank reconciliation template to be utilized when reconciling all fund bank statements and will continue to perform monthly bank reconciliations on a timely basis.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Section II - Financial Statement Findings (Continued)

A. Significant Deficiencies in Internal Control (Continued)

Finding 2015-003

Criteria: The District's management is responsible for the maintaining internal controls over cash disbursements which reduce the risk of errors to a low level. These controls include the use of a purchase order system or "approval of invoice" forms and processes.

Condition and context: During our evaluation and testing of the cash disbursement transaction cycle, we noted that the policies and procedures that represent internal controls to ensure the proper authorization and recording were not followed consistently.

Cause: While additional policies were implemented during the last fiscal year, consistent authorization procedures were not followed for all cash disbursements.

Effect: These findings increase the potential for misstatements of financial statements, as well as the risk for improper disbursements being made.

Recommendations: The District should follow established cash disbursement control procedures that ensure all disbursements are properly authorized, recorded, and paid.

Views of responsible officials and planned corrective actions: The District acknowledges the finding and has since addressed and resolved this identified internal control weakness. Prior to the commencement of the June 30, 2014, fiscal year end audit, effective July 21, 2014, the District implemented procurement protocol requiring all applicable school district purchases to commence with the submission of a "purchase requisitions" to the business office following the appropriate building/department level administrative approval. All central office submitted "purchase requisitions" must meet both a documented business office administered "financial" and "programmatic" approval prior to the establishment and distribution of ancillary "purchase orders" to respective vendors. In those limited instances where it is determined to be impractical to utilize the described standard protocol, invoices paid by the District not containing "purchase order" approvals must be accompanied by "Application for Payment" forms containing appropriate central office administrative approval.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the Federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

B. Significant Deficiency(ies) in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with Section .510(A) of OMB Circular A-133.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2014	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2015
U.S. Department of Education									
Passed through the PA Dept. of Education									
Title I - Improving Basic Programs	84.010	013-140425	13-14	\$ 375,427	\$ 49,021	\$ 49,021	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	84.010	013-150245	14-15	\$ 357,043	205,508	-	292,141	292,141	86,633
					254,529	49,021	292,141	292,141	86,633
Title II - Improving Teacher Quality									
Title II - Improving Teacher Quality	84.367	020-140425	13-14	\$ 60,727	(65)	(65)	-	-	-
Title II - Improving Teacher Quality	84.367	020-150245	14-15	\$ 60,772	26,076	-	16,203	16,203	(9,873)
					26,011	(65)	16,203	16,203	(9,873)
Total passed through the Pennsylvania Department of Education					280,540	48,956	308,344	308,344	76,760
Passed through Capital Area Intermediate Unit									
Title III - Language Instruction for Limited English Proficient and Immigrant Students	84.365	N/A	14-15	\$ 546	250	-	546	546	296
					250	-	546	546	296
Special Education - Grants to States									
Special Education - Grants to States	84.027	N/A	13-14	\$ 475,224	49,645	49,645	-	-	-
Special Education - Grants to States	84.027	N/A	14-15	\$ 465,896	465,896	-	465,896	465,896	-
Special Education - Preschool Grants	84.173	N/A	14-15	\$ 2,690	2,690	-	2,690	2,690	-
Total Special Education Cluster					518,231	49,645	468,586	468,586	-
Total passed through the Capital Area Intermediate Unit									
					518,481	49,645	469,132	469,132	296
Total U.S. Department of Education					799,021	98,601	777,476	777,476	77,056
U.S. Department of Health and Human Services									
Passed through the Pennsylvania Department of Public Welfare									
Medical Assistance Reimbursement for Administration	93.778	ACCESS	14-15	N/A	5,923	-	5,923	5,923	-
Total U.S. Department of Health and Human Services					5,923	-	5,923	5,923	-

(Continued)

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2015

Grantor Program Title	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Restated Accrued or (Deferred) Revenue at July 1, 2014	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2015
U.S. Department of Agriculture									
Passed through PA Department of Education									
National School Lunch Program *	10.555	N/A	13-14	N/A	18,609	18,609	-	-	-
National School Lunch Program *	10.555	N/A	14-15	N/A	540,474	-	555,434	555,434	14,960
					559,083	18,609	555,434	555,434	14,960
School Breakfast Program *	10.553	N/A	11-12	N/A	(29,453)	(29,453)	-	-	-
School Breakfast Program *	10.553	N/A	13-14	N/A	7,390	7,390	-	-	-
School Breakfast Program *	10.553	N/A	14-15	N/A	115,030	-	119,237	119,237	4,207
					92,967	(22,063)	119,237	119,237	4,207
Total passed through the Pennsylvania Department of Education					652,050	(3,454)	674,671	674,671	19,167
Passed through the PA Department of Agriculture									
National School Lunch Program - Food Donations *	10.555	N/A	14-15	N/A	79,265	-	79,265	79,265	-
Total U.S. Department of Agriculture					731,315	(3,454)	753,936	753,936	19,167
Total Expenditures of Federal Awards					\$ 1,536,259	\$ 95,147	\$ 1,537,335	\$ 1,537,335	\$ 96,223

* Programs in the Child Nutrition Cluster

National School Lunch Program	\$ 555,434
School Breakfast Program	119,237
National School Lunch Program - Food Donations	79,265
	<u>\$ 753,936</u>

See Notes to Schedule of Expenditures of Federal Awards.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of the District under programs of the Federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Susquehanna Township School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the Susquehanna Township School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and 2 CFR 200 Subpart E Cost Principles, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2015

A. Material Weaknesses in Internal Control

Finding 2014-001

Criteria: An integral component of an entity's internal control over financial reporting is the ability to prepare financial statements and the related notes to the financial statements.

Condition and context: The District has designated an individual responsible to oversee Boyer & Ritter, LLC preparation of the financial statements. The District has assumed responsibility for evaluating the adequacy and results of the financial statements and related notes to the financial statements and accepted responsibility for them. However, the District's designee does not possess the expertise necessary to prepare the financial statements and notes to the financial statements for the District in conformity with generally accepted accounting principles.

Cause and effect: It is not uncommon for entities to lack the expertise necessary to prepare the financial statements and the notes to the financial statements. The District has evaluated the costs and benefits of developing this expertise, and determined that it is more beneficial to engage its independent auditors to provide this service.

Recommendations: We recommend the Board consider the cost benefit relationship of requiring enhanced skills for its Business office staff through additional training.

Views of responsible officials and planned corrective actions: Several years ago when GASB No. 34 was introduced and additional financial statements were required, larger Districts added accountants and CPAs to their staff while smaller Districts with fewer resources contracted with their accounting firms to draft statements. At this time the District is continuing the practice of hiring a third party to draft its statements.

Current Status - This finding is repeated in the current year schedule of findings and questioned costs.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2015

A. Material Weaknesses in Internal Control (Continued)

Finding 2014-002

Criteria: Reconciliations of bank balances to the general ledger should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the books properly.

Condition and context: During our audit, we noted that certain cafeteria fund bank statements were accumulated for several months without reconciliation to the general ledger controls.

Cause: The District's Business Office experienced gaps in personnel during the year which impaired their capability to process, record, and reconcile all transactions on a timely basis.

Effect: The District's staff and Board of Directors cannot reasonably rely on financial records without the performance of bank reconciliations.

Recommendations: We recommend all of the bank accounts be reconciled monthly to the general ledger and that any differences be promptly investigated and adjusted with adequate explanations. Ideally, all bank accounts should be reconciled no later than the 20th day of the following month or within a week of receipt of the bank statements. Additionally, we recommend the bank reconciliations be included in the monthly finance report to the Board.

Views of responsible officials and planned corrective actions: The District acknowledged the finding. The District has reconciled all bank accounts to the current reporting periods. The District will continue to perform monthly bank reconciliations on a timely basis.

Current Status - This finding is repeated in the current year schedule of findings and questioned costs.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2015

A. Material Weaknesses in Internal Control (Continued)

Finding 2014-003

Criteria: The financial records submitted for audit, and the related audit support should not require material adjustments in order to support financial statements prepared in accordance with GAAP.

Condition and context: The financial records required material adjustments in order for them to be presented in accordance with GAAP. The District has designated an employee responsible to prepare the financial records and the related audit support, to oversee the audit and the external CPA firm's drafting of the financial statements including note disclosures. The District has assumed responsibility for evaluating the adequacy and results of the financial statements. However, the District's staff was not able to prepare the financial records and related support to a level which did not require material adjustments.

Cause: The District's Business Office experienced gaps in personnel during the year which impaired their capability to process, record, and reconcile all transactions on a timely basis. This impacted their ability to prepare the final financial records for audit.

Effect: The financial records required material adjustment in order for them to support financial statements prepared in accordance with GAAP.

Recommendations: The District's staff should adhere to strict monthly and annual closing schedules with defined roles and responsibilities.

Views of responsible officials and planned corrective actions: The District recognizes the finding as a material weakness. Through the audit process, the District has consulted with its auditors to establish processes whereby adequate documentation and closing schedules will be followed. Currently, the Accounting Department is in the beginning stages developing and implementing month-end and year-end close procedures.

Current status - The finding has been remedied in the current year.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2015

A. Material Weaknesses in Internal Control (Continued)

Finding 2014-004

Criteria: The District's management is responsible for the maintaining internal controls over cash disbursements which reduce the risk of errors to a low level. These controls include the use of a purchase order system or "approval of invoice" forms and processes.

Condition and context: During our evaluation and testing of the cash disbursement transaction cycle, we noted that the policies and procedures that represent internal controls to ensure the proper authorization and recording were not followed consistently.

Cause: Consistent authorization procedures were not followed with regard to cash disbursements.

Effect: These findings increase the potential for misstatements of financial statements, as well as the risk for improper disbursements being made.

Recommendations: The District should follow established cash disbursement control procedures that ensure all disbursements are properly authorized, recorded, and paid.

Views of responsible officials and planned corrective actions: The District acknowledges the finding and has since addressed and resolved this identified internal control weakness. Prior to the commencement of the June 30, 2014, fiscal year end audit, effective July 21, 2014, the District implemented procurement protocol requiring all applicable school district purchases to commence with the submission of a "purchase requisitions" to the business office following the appropriate building/department level administrative approval. All central office submitted "purchase requisitions" must meet both a documented business office administered "financial" and "programmatic" approval prior to the establishment and distribution of ancillary "purchase orders" to respective vendors. In those limited instances where it is determined to be impractical to utilize the described standard protocol, invoices paid by the school district not containing "purchase order" approvals must be accompanied by "Application for Payment" forms containing appropriate central office administrative approval.

Current Status - This finding is repeated in the current year schedule of findings and questioned costs.