

SUSQUEHANNA TOWNSHIP

SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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 described in Note 1, Susquehanna Township School District has implemented a reporting model to account for deferred inflows of resources, deferred outflows of resources, and net position as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Recognized as Assets and Liabilities*, as of July 1, 2013. Our opinions on these statements are 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 14, 2015, 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 centrally on the page.

Camp Hill, Pennsylvania
January 14, 2015

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

The management of Susquehanna Township School District (the District's) is pleased to present the following discussion and analysis of the District's financial activities for the fiscal year ended June 30, 2014. 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, 2014, are as follows:

- The total assets of the District exceeded its liabilities at June 30, 2014, by \$21.8 million (net assets). Of this amount, \$16.7 million (unrestricted net assets) may be used to meet the District's ongoing obligations to students and residents. Total net assets decreased by \$0.8 million, or 3.51 percent from the previous fiscal year.
- The District's food service program, the only business-type activity, reported a decrease in net assets of approximately \$2,000 during the 2013-2014 fiscal year. Total food service revenues increased by 3.04 percent or \$41,000 during the fiscal year. Food service expenses decreased by 4.42 percent or \$64,000.
- As of June 30, 2014, the District's governmental funds reported combined ending fund balances of \$21.2 million, an increase of \$5.1 million in comparison with the prior year. This increase was largely due to monies remaining in the District's capital projects fund as a result of 2014 Series General Obligation Bond proceeds earmarked to finance HVAC upgrades at two district school buildings. Approximately 14.65 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, 2014, of \$3.1 million: which is 6.92 percent of budget expenditures of the 2014-2015 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 2014-2015 fiscal year total \$44.8 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, 2014**

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 45 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 page 46 that consists of additional post-employment benefits plan information

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, 2014**

- **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 assets were \$21,779,775 at June 30, 2014, which includes \$21,598,668 in governmental activities and \$181,107 in business-type activities.

Statement of Net Position

	Governmental Activities		Business Activities		Total Activities	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current assets	\$ 30,435,297	\$ 23,330,945	\$ 107,887	\$ 94,905	\$ 30,543,184	\$ 23,425,850
Capital assets	37,144,656	36,478,144	139,736	152,226	37,284,392	36,630,370
Total assets	\$ 67,579,953	\$ 59,809,089	\$ 247,623	\$ 247,131	\$ 67,827,576	\$ 60,056,220
Deferred outflows of resources	\$ 21,992	\$ -	\$ -	\$ -	\$ 21,992	\$ -
Current liabilities	\$ 5,865,145	\$ 5,552,480	\$ 66,516	\$ 55,417	\$ 5,931,661	\$ 5,607,897
Long-term liabilities (originally stated)	40,138,132	31,866,546	-	8,556	40,138,132	31,875,102
Total liabilities	\$ 46,003,277	\$ 37,419,026	\$ 66,516	\$ 63,973	\$ 46,069,793	\$ 37,482,999
Net investment in capital assets	\$ 4,214,826	\$ 5,692,341	\$ 139,736	\$ 152,226	\$ 4,354,562	\$ 5,844,567
Restricted	732,580	1,562,397	-	-	732,580	1,562,397
Unrestricted	16,651,262	15,135,325	41,371	30,932	16,692,633	15,166,257
Total net position	\$ 21,598,668	\$ 22,390,063	\$ 181,107	\$ 183,158	\$ 21,779,775	\$ 22,573,221

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

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, then offset by program revenues to determine net revenue (expense) and changes in net assets. General revenues, such as taxes, state subsidies, and investment earnings are then applied to determine the change in net assets. For the 2013-2014 fiscal year, the change in net assets for governmental activities was an decrease of \$791,395, and a decrease of \$2,050 for business-type activities, for a net total decrease of \$793,445 as reflected in the following chart.

Statement of Activities

	Governmental Activities		Business Activities		Total Activities	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Program Revenues						
Charges for services	\$ 192,442	\$ 160,106	\$ 587,533	\$ 690,794	\$ 779,975	\$ 850,900
Operating and capital grants and contributions	5,605,044	5,964,979	795,824	651,749	6,400,868	6,616,728
Total program revenues	5,797,486	6,125,085	1,383,357	1,342,543	7,180,843	7,467,628
General Revenues						
Taxes	33,852,468	33,985,397	-	-	33,852,468	33,985,397
General subsidies	3,887,158	3,312,493	-	-	3,887,158	3,312,493
Investment earnings	33,878	143	86	124	33,964	267
Other local revenue	(2)	5	-	-	(2)	5
Total general revenues	37,773,502	37,298,038	86	124	37,773,588	37,298,162
Total revenues	43,570,988	43,423,123	1,383,443	1,342,667	44,954,431	44,765,790
Total Expenses	43,702,112	41,624,685	1,385,493	1,449,534	45,087,605	43,074,219
Excess (deficiency) before transfers	(131,124)	1,798,438	(2,050)	(106,867)	(133,174)	1,691,571
Transfer between activities	-	159,176	-	51,692	-	210,868
Changes in net position	(131,124)	1,957,614	(2,050)	(55,175)	(133,174)	1,902,439
Net position - as originally stated	22,390,063	20,432,449	183,157	238,333	22,573,220	20,670,782
Prior period adjustment	(660,271)	-	-	-	(660,271)	-
Net position - as restated	21,729,792	20,432,449	183,157	238,333	21,912,949	20,670,782
Net position - ending	\$ 21,598,668	\$ 22,390,063	\$ 181,107	\$ 183,158	\$ 22,440,046	\$ 22,573,221

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

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 \$8,491,575 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	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Instruction	\$ 28,584,737	\$ 26,713,319	\$ 4,201,587	\$ 4,146,002	\$ 24,383,150	\$ 22,567,317
Instructional student support	2,717,475	2,374,874	165,349	655,513	2,552,126	1,719,361
Administrative and financial support	4,630,519	4,490,632	331,981	213,521	4,298,538	4,277,111
Operation and maintenance of plant services	3,757,871	3,673,286	216,725	208,892	3,541,146	3,464,394
Pupil transportation	2,007,785	1,894,400	725,710	745,697	1,282,075	1,148,703
Student activities	905,289	853,820	93,167	92,885	812,122	760,935
Community services	3,260	2,104	-	-	3,260	2,104
Interest on long-term debt	1,095,176	1,622,250	62,967	62,575	1,032,209	1,559,675
Total governmental activities	\$ 43,702,112	\$ 41,624,685	\$ 5,797,486	\$ 6,125,085	\$ 37,904,626	\$ 35,499,600
State general subsidies revenue					(3,887,158)	(3,312,493)
Total needs from taxes and other local sources					\$ 34,017,468	\$ 32,187,107

	Business-Type Activities					
	Direct Expenses		Program Revenues		Net Cost	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Food services	\$ 1,385,493	\$ 1,449,534	\$ 1,383,357	\$ 1,342,543	\$ 2,136	\$ 106,991
Transfers	-	-	-	51,692	-	51,692
Investment earnings	-	-	86	124	86	124
Total business-type activities	\$ 1,385,493	\$ 1,449,534	\$ 1,383,443	\$ 1,394,359	\$ 2,222	\$ 158,807

The District Funds

At June 30, 2014, governmental funds reported a combined fund balance of \$21,153,956, which is an increase of \$5,049,123 from June 30, 2013. This increase was largely due to monies remaining in the District's capital projects fund as a result of 2014 Series General Obligation Bond proceeds earmarked to finance HVAC upgrades at two District school buildings.

	6/30/2014	6/30/2013	Change	% Change
General Fund				
Assigned	\$ 11,400,298	\$ 11,442,436	\$ (42,138)	-0.37%
Unassigned	3,100,000	3,100,000	-	0.00%
Capital Projects Fund	6,653,658	1,562,397	5,091,261	325.86%
Total Governmental Fund Balances	\$ 21,153,956	\$ 16,104,833	\$ (5,049,123)	-31.35%

During 2013-2014, the total capital projects fund balance increased by \$5,091,261. This increase was due to monies remaining in the district's capital projects fund at June 30, 2014, as a result of 2014 Series General Obligation Bond proceeds earmarked to finance HVAC upgrades at two District school buildings.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

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, 2014, the District had \$37,144,656 in governmental capital assets, which represents an increase of \$666,512. The increase was due to a combination of capital asset additions associated with annual district operations and construction in-progress exceeding depreciation.

	6/30/2014	6/30/2013	Change
Governmental Activities			
Land	\$ 215,004	\$ 215,004	\$ -
Land improvements	1,648,621	1,719,745	(71,124)
Construction-in-progress	1,944,697	-	1,944,697
Buildings and improvements	32,266,378	33,416,197	(1,149,819)
Furniture and equipment	1,012,008	1,050,053	(38,045)
Library books	57,948	77,145	(19,197)
Total governmental capital assets	37,144,656	36,478,144	666,512
Business-Type Activities			
Total business capital assets	139,736	152,226	(12,490)
Total capital assets	\$ 37,284,392	\$ 36,630,370	\$ 654,022

Long-Term Liabilities

Bonds payable were \$38,160,000 and \$32,270,000 at June 30, 2014 and 2013, respectively. The amount of bond principal due within one year is \$1,915,000. Moody's Corporation has assigned its municipal bond rating of "Aa3" to all outstanding series of bonds.

Compensated absences decreased during the year from an entity-wide perspective by \$40,257 to \$652,362 at June 30, 2014.

**SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014**

Next Year's Budget and Economic

The new budget for 2014-2015 represents an increase in total expenditures of 4.42%. This increase is largely due to an increase in Pennsylvania School Employee Retirement System (PSERS) expenditures. The 2014-2015 budgeted revenue includes a real estate tax increase.

There are no changes to economic factors that are expected to have a significant impact on our 2014-2015 budget. However, it is anticipated that the District's 2014-2015 earned income tax receipts will be well below budgeted due to a one-time previous year increase included in the budget, but not estimated to occur as of the date of this report.

Contacting the District 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, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 19,986,735	\$ 126,994	\$ 20,113,729
Investments	5,247,254	-	5,247,254
Internal balances	65,568	(65,568)	-
Receivables	5,135,740	27,810	5,163,550
Inventories	-	18,651	18,651
Capital assets			
Land and construction-in-progress	2,159,701	-	2,159,701
Other capital assets, net of depreciation	34,984,955	139,736	35,124,691
Total capital assets	37,144,656	139,736	37,284,392
Total assets	\$ 67,579,953	\$ 247,623	\$ 67,827,576
Deferred Outflows of Resources			
Deferred amounts on refunding debt	\$ 21,992	\$ -	\$ 21,992
Liabilities			
Accounts payable and accrued expenses	\$ 5,865,080	\$ 44,995	\$ 5,910,075
Unearned revenues	65	21,521	21,586
Long-term liabilities			
Due within one year	2,045,677	-	2,045,677
Due in more than one year	38,092,455	-	38,092,455
Total long-term liabilities	40,138,132	-	40,138,132
Total liabilities	\$ 46,003,277	\$ 66,516	\$ 46,069,793
Net Position			
Net investment in capital assets	\$ 4,214,826	\$ 139,736	\$ 4,354,562
Restricted	732,580	-	732,580
Unrestricted	16,651,262	41,371	16,692,633
Total net position	\$ 21,598,668	\$ 181,107	\$ 21,779,775

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

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	\$ 28,584,737	\$ 76,675	\$ 4,124,912	\$ -	\$ (24,383,150)	\$ -	\$ (24,383,150)
Instructional student support	2,717,475	-	165,349	-	(2,552,126)	-	(2,552,126)
Administration and financial services	4,630,519	-	331,981	-	(4,298,538)	-	(4,298,538)
Operation and maintenance of plant services	3,757,871	72,118	144,607	-	(3,541,146)	-	(3,541,146)
Pupil transportation	2,007,785	-	725,710	-	(1,282,075)	-	(1,282,075)
Student activities	905,289	43,649	49,518	-	(812,122)	-	(812,122)
Community services	3,260	-	-	-	(3,260)	-	(3,260)
Interest on long-term debt	1,095,176	-	-	62,967	(1,032,209)	-	(1,032,209)
Total governmental activities	43,702,112	192,442	5,542,077	62,967	(37,904,626)	-	(37,904,626)
Business-Type Activities:							
Food Service	1,385,493	587,533	795,824	-	-	(2,136)	(2,136)
Total primary government	\$ 45,087,605	\$ 779,975	\$ 6,337,901	\$ 62,967	\$ (37,904,626)	\$ (2,136)	\$ (37,906,762)
General Revenues:							
Property taxes, levied for general purposes, net					\$ 26,820,839	\$ -	\$ 26,820,839
Public utility, realty transfer, earned income and other taxes for general purposes, net					7,031,629	-	7,031,629
Grants, subsidies and contributions not restricted					3,887,158	-	3,887,158
Investment earnings					33,878	86	33,964
Miscellaneous income (expenses)					(2)	-	(2)
Total general revenues and transfers					37,773,502	86	37,773,588
Changes in net position					(131,124)	(2,050)	(133,174)
Net position - July 1, 2013, as originally stated					22,390,063	183,157	22,573,220
Prior period adjustment					(660,271)	-	(660,271)
Net position - July 1, 2013, as restated					21,729,792	181,157	21,910,949
Net position - June 30, 2014					\$ 21,598,668	\$ 181,107	\$ 21,779,775

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 12,313,252	\$ 7,673,483	\$ 19,986,735
Investments	5,089,081	158,173	5,247,254
Taxes receivable	4,361,769	-	4,361,769
Due from other funds	65,568	-	65,568
Due from other governments	773,971	-	773,971
Total assets	<u>\$ 22,603,641</u>	<u>\$ 7,831,656</u>	<u>\$ 30,435,297</u>
Liabilities			
Accounts payable	\$ 717,645	\$ 1,177,998	\$ 1,895,643
Accrued salaries and benefits	3,448,765	-	3,448,765
Payroll deductions and withholdings	404,528	-	404,528
Unearned revenues	65	-	65
Total liabilities	<u>4,571,003</u>	<u>1,177,998</u>	<u>5,749,001</u>
Deferred Inflows of Resources			
Delinquent property taxes	<u>3,532,340</u>	<u>-</u>	<u>3,532,340</u>
Fund Balances			
Restricted	-	6,653,658	6,653,658
Assigned	11,400,298	-	11,400,298
Unassigned	3,100,000	-	3,100,000
Total fund balances	<u>14,500,298</u>	<u>6,653,658</u>	<u>21,153,956</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,603,641</u>	<u>\$ 7,831,656</u>	<u>\$ 30,435,297</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, 2014

Total fund balances - governmental funds	\$ 21,153,956
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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 \$56,841,094, and the accumulated depreciation is \$19,696,438.

37,144,656

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; therefore, they are deferred inflows of resources in the funds.

3,532,340

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.

21,992

Long-term liabilities; including bonds payable, swap liability, 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	(38,872,900)	
Accrued interest	(116,144)	
Other post-employment benefits	(350,870)	
Compensated absences	(652,362)	
Accrued retirement bonus	(262,000)	
	<hr/>	(40,254,276)

Total net position - governmental activities	\$ 21,598,668
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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, 2014

	General Fund	Capital Projects Fund	Totals Governmental Funds
Revenues			
Local sources	\$ 34,232,234	\$ 102	\$ 34,232,336
State sources	8,491,575	-	8,491,575
Federal sources	497,324	-	497,324
Total revenues	43,221,133	102	43,221,235
Expenditures			
Instructional	27,033,851	-	27,033,851
Support services	12,684,261	134,280	12,818,541
Noninstructional services	857,286	-	857,286
Capital outlay	-	2,582,324	2,582,324
Debt service	2,813,066	-	2,813,066
Total expenditures	43,388,464	2,716,604	46,105,068
Deficiency of revenues over expenditures	(167,331)	(2,716,502)	(2,883,833)
Other Financing Sources (Uses)			
Operating transfers in (out)	-	-	-
Bond proceeds	9,520,000	7,355,000	16,875,000
Refunding of bond principal	(9,285,000)	-	(9,285,000)
Bond premium	101,061	452,763	553,824
Total other financing sources	336,061	7,807,763	8,143,824
Net changes in fund balances	168,730	5,091,261	5,259,991
Fund Balances:			
July 1, 2013, as originally stated	14,542,436	1,562,397	16,104,833
Prior period adjustment	(210,868)	-	(210,868)
July 1, 2013, as restated	14,331,568	1,562,397	15,893,965
June 30, 2014	<u>\$ 14,500,298</u>	<u>\$ 6,653,658</u>	<u>\$ 21,153,956</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, 2014

Net changes in fund balances - governmental funds	\$ 5,259,991
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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	2,273,783	
Less depreciation expense	<u>(1,607,271)</u>	
		666,512

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 decreased by this amount this year.

349,755

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 additional interest accrued in the Statement of Activities
over the amount due is shown here.

(14,602)

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.

18,552

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, has any
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	1,700,000	
Refunding of general obligation debt	9,285,000	
Issuance of long-term debt, including bond premium	(17,428,824)	
Amortization of bond issuance premium	34,575	
Amortization of refunding loss	<u>(2,083)</u>	
		(6,411,332)

Changes in net position of governmental activities

\$ (131,124)

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, 2014

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Local sources	\$ 33,921,943	\$ 33,921,943	\$ 34,232,234	\$ 310,291
State sources	8,446,902	8,446,902	8,491,575	44,673
Federal sources	401,100	401,100	497,324	96,224
Total revenues	42,769,945	42,769,945	43,221,133	451,188
Expenditures				
Instructional services	26,569,460	26,569,460	27,033,851	(464,391)
Support services	12,803,169	12,803,169	12,684,261	118,908
Noninstructional services	918,872	918,872	857,286	61,586
Debt service	2,637,754	2,637,754	2,813,066	(175,312)
Total expenditures	42,929,255	42,929,255	43,388,464	(459,209)
Deficiency of revenues over expenditures	(159,310)	(159,310)	(167,331)	(8,021)
Other Financing Sources (Uses)				
Bond proceeds	-	-	9,520,000	9,520,000
Refunding of bond principal	-	-	(9,285,000)	(9,285,000)
Bond premium	-	-	101,061	101,061
Total other financing sources	-	-	336,061	336,061
Net changes in fund balance	\$ (159,310)	\$ (159,310)	168,730	\$ 328,040
Fund Balances - July 1, 2013 - as restated			14,331,568	
Fund Balances - June 30, 2014			\$ 14,500,298	

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE

June 30, 2014

Assets	
Cash and cash equivalents	\$ 126,994
Receivables	
Federal subsidies	25,999
State subsidies	1,811
Inventories	18,651
Other capital assets, net of depreciation	139,736
Total assets	\$ 313,191
Liabilities	
Internal balances	\$ 65,568
Accounts payable	44,051
Unearned revenues	21,521
Accrued salaries and benefits	944
Total liabilities	\$ 132,084
Net Position	
Net investment in capital assets	\$ 139,736
Unrestricted	41,371
Total net position	\$ 181,107

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, 2014

Operating Revenues	
Food service revenues	\$ 587,533
Operating Expenses	
Salaries	422,843
Employee benefits	207,706
Purchased property services	9,884
Supplies	732,570
Depreciation	12,490
Total operating expenses	1,385,493
Operating loss	(797,960)
Nonoperating Revenues	
Investment earnings	86
State sources	87,125
Federal sources	708,699
Total nonoperating revenues	795,910
Changes in net position	(2,050)
Net Position - July 1, 2013	183,157
Net Position - June 30, 2014	\$ 181,107

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE Year Ended June 30, 2014

Cash Flows From Operating Activities	
Cash received from meal sales	\$ 586,965
Cash payments for goods and services	(643,002)
Cash payments to employees for services	(690,607)
Net cash used in operating activities	(746,644)
Cash Flows From Noncapital Financing Activities	
State sources	86,328
Federal sources	605,359
Net cash provided by noncapital financing activities	691,687
Cash Flows From Investing Activities	
Investment earnings	86
Net decrease in cash and cash equivalents	(54,871)
Cash and Cash Equivalents:	
July 1, 2013	181,865
June 30, 2014	<u>\$ 126,994</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (797,960)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	12,490
Value of donated commodities	91,246
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	(2,517)
(Decrease) increase in:	
Internal balances	(52,446)
Accounts payable	10,723
Unearned revenue	(568)
Accrued salaries and benefits	944
Other long-term liabilities	(8,556)
Net cash used in operating activities	\$ (746,644)

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	Private-Purpose Trust Fund	Agency Activity Fund
Assets		
Cash and cash equivalents	\$ 164,740	\$ 194,691
Other receivables	8,969	-
Total assets	\$ 173,709	\$ 194,691
Liabilities		
Due to student groups	\$ -	\$ 194,691
Total liabilities	\$ -	\$ 194,691
Net Position		
Held in trust for scholarships	\$ 173,709	\$ -
Total net position	\$ 173,709	\$ -

See Notes to Financial Statements.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2014

	Private-Purpose Trust Fund
Additions	
Gifts and contributions	\$ 2,425
Investment earnings	278
Total additions	<u>2,703</u>
Deductions	
Scholarships awarded	<u>7,844</u>
Change in net position	(5,141)
Net Position - July 1, 2013	<u>178,850</u>
Net Position - June 30, 2014	<u><u>\$ 173,709</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.

The food service 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).

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)

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.

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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting (Continued)

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.

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, 2014, 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.

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)

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

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.

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)

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.

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.

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 - 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.

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.

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)

- 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, 2014, the District had no encumbrances.

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 Equity (Continued)

Pension Plan: Substantially all full time and part time employees of the District participate in a cost sharing multiple employer defined benefit pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually required contributions. The District made all required contributions for the year ended June 30, 2014, and has recognized them as expenditures and expenses in the governmental and proprietary fund, respectively.

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 Principles: GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which provides financial reporting guidance for deferred outflow of resources and deferred inflows of resources. The requirements of this Statement improve financial reporting by standardizing the presentation of deferred outflow and deferred inflow of resources and their effects on the government's net position. This standard was adopted for fiscal year ended June 30, 2014, by retroactively reformatting the financial statement presentation. The adoption of this Statement reclassified net assets to net position, and identified two new elements to make up a Statement of Net Position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, sets forth criteria to properly classify previously reported assets and liabilities as deferred outflows or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources. The Standard was issued in March 2012, and was effective for the period beginning after December 15, 2012. This Standard was adopted for year ended June 30, 2014.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through January 14, 2015, the date the financial statements were available to be issued.

Pending Change in Accounting Principles: 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. The provisions of this Statement are effective for the District's 2015 financial statements. The effects of implementation of this Standard have not yet been determined.

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, 2014, \$20,205,404 of the District's total bank balances of \$20,705,404 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72	<u>\$ 20,205,404</u>

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, 2014, the District had the following investments:

Investment	Months to Maturity		Fair Values
	0-6		
PSDLAF PSDMAX	\$	5,247,254	\$ 5,247,254
Pennsylvania Local Government Investment Trust (PLGIT)		140,833	140,833
	\$	5,388,087	\$ 5,388,087

Portfolio Assets

PSDLAF - This 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.

PLGIT - This fund 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, 2014, the District's investments in PSDLAF and PGLIT 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 PGLIT.

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 2013-2014 is as follows:

July 1, 2013	Tax levy date
Through September 30, 2013	2% discount
October 1 - November 30, 2013	Face payment period
December 1 - December 31, 2013	10% penalty period
January 1, 2014	Lien filing date

The District's tax rate for all purposes in 2013-2014 was 16.84 mills (\$16.84 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, 2014, are as follows:

	Amount
Uncollected taxes	\$ 5,063,028
Estimated uncollectible taxes	(701,259)
Taxes Receivable - Net	<u>\$ 4,361,769</u>
Taxes to be collected within 60 days	\$ 829,429
Deferred inflows of resources - delinquent property taxes	<u>3,532,340</u>
Taxes Receivable - Net	<u>\$ 4,361,769</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, 2014, are as follows:

Fund	Due from other funds	Due to other funds
General	\$ 65,568	\$ -
Food Service	-	65,568
	<u>\$ 65,568</u>	<u>\$ 65,568</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, 2014.

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, 2014, was as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014
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	215,004	1,944,697	-	2,159,701
Capital assets being depreciated				
Land improvements	3,154,642	48,972	-	3,203,614
Buildings and building improvements	47,532,994	144,701	-	47,677,695
Furniture and equipment	3,472,700	135,413	-	3,608,113
Library books	191,971	-	-	191,971
Total capital assets being depreciated	54,352,307	329,086	-	54,681,393
Less accumulated depreciation				
Land and site improvements	1,434,897	120,096	-	1,554,993
Buildings and building improvements	14,116,797	1,294,520	-	15,411,317
Furniture and equipment	2,422,647	173,458	-	2,596,105
Library books	114,826	19,197	-	134,023
Total accumulated depreciation	18,089,167	1,607,271	-	19,696,438
Total capital assets being depreciated, net	36,263,140	(1,278,185)	-	34,984,955
Total Governmental Activities, Capital Assets - Net	\$ 36,478,144	\$ 666,512	\$ -	\$ 37,144,656
Business-Type Activities				
Capital assets being depreciated, equipment	\$ 734,900	\$ -	\$ -	\$ 734,900
Less accumulated depreciation, equipment	582,674	12,490	-	595,164
Total Business-Type Activities, Capital Assets - Net	\$ 152,226	\$ (12,490)	\$ -	\$ 139,736

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	\$ 1,160,766
Instructional student support	116,027
Administration and financial support	194,258
Operation and maintenance of plant services	101,472
Student activities	34,748
Total Governmental Activities	1,607,271
Business-Type Activities	
Food Service	12,490
Total School District	\$ 1,619,761

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2014, and transactions during the year then ended follows:

	July 1, 2013	Increases	Decreases	June 30, 2014	Due within one year
General Obligation Bonds					
Series of 2008	\$ 4,540,000	\$ -	\$ (4,540,000)	\$ -	\$ -
Series of 2009	4,745,000	-	(4,745,000)	-	-
Series of 2011	5,735,000	-	(370,000)	5,365,000	380,000
Series of 2012	9,990,000	-	(5,000)	9,985,000	5,000
Series A of 2012	7,260,000	-	(10,000)	7,250,000	170,000
Series of 2013	-	9,520,000	(1,315,000)	8,205,000	1,355,000
Series of 2014	-	7,355,000	-	7,355,000	5,000
	32,270,000	16,875,000	(10,985,000)	38,160,000	1,915,000
Unamortized bond premium/(discount)	169,576	553,824	(10,500)	712,900	-
Total Bonds Payable	32,439,576	17,428,824	(10,995,500)	38,872,900	1,915,000
Compensated absences	692,619	-	(40,257)	652,362	130,677
Accrued retirement bonus	324,000	-	(62,000)	262,000	-
Other post-employment benefits	275,721	75,149	-	350,870	-
Total Long-Term Obligations	\$ 33,731,916	\$ 17,503,973	\$ (11,097,757)	\$ 40,138,132	\$ 2,045,677

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series of 2008 - On July 15, 2008, the District issued General Obligation Bonds - Series of 2008, in the principal amount of \$9,035,000. These bonds were issued to currently refund General Obligation Bonds Series AA of 2001, Series of 2003, Series A of 2003 and to pay expenses related to the issuance of the bonds. The interest rate of the bond varied from 3.00% to 3.55%. These bonds were refunded with General Obligation, Series of 2013.

General Obligation Bonds - Series of 2009 - On January 1, 2009, the District issued General Obligation Bonds - Series of 2009, in the principal amount of \$5,755,000. These bonds were issued to currently refund General Obligation Bonds Series of 2006, Series of 2007, and to pay expenses related to the issuance of the bonds. Interest was payable at rates between 3.00% and 5.05%. These bonds were refunded with General Obligation, Series of 2013.

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
2014-2015	\$ 1,915,000	\$ 898,170	\$ 2,813,170
2015-2016	2,455,000	1,013,853	3,468,853
2016-2017	2,510,000	965,098	3,475,098
2017-2018	2,565,000	907,188	3,472,188
2018-2019	2,640,000	834,440	3,474,440
2019-2024	14,130,000	3,245,573	17,375,573
2024-2028	11,945,000	1,121,961	13,066,961
	<u>\$ 38,160,000</u>	<u>\$ 8,986,283</u>	<u>\$ 47,146,283</u>

Prior Period Adjustment - GASB 65 Implementation

Implementation of GASB 65 recognizes cost of issuance as an expense, therefore the adoption of this statement resulted in a decrease to net position of \$449,403 as of July 1, 2013.

The unrealized loss on the bond refunding was reclassified from bonds payable to deferred inflows of resources. Beginning balances were changed to reflect this as of July 1, 2013.

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.

Other Post-Employment Benefits

As described in Note 10, the District provides access to retiree health, 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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Operating Lease

Lease Rental Debt - Series of 2007, was issued by the Dauphin County Area Vocational-Technical School Authority (Authority) to provide funds to construct improvements and renovations to the Dauphin County Area Vocational-Technical School. The Dauphin County Area Vocational-Technical School Board and six member school districts entered into a lease agreement with the Authority and will pay its 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
2014-2015	\$ 231,654
2015-2016	231,945
2016-2017	231,999
2017-2018	231,712
2018-2019	231,739
2019-2024	1,159,583
2024-2029	1,159,907
2029-2031	463,761
	<u>\$ 3,942,300</u>

On June 26, 2012, the District entered into a lease agreement for computer equipment. The lease term is a three year period, beginning July 30, 2012 and ending June 30, 2015. Lease expense was \$100,174 under the existing lease agreement for the year ended June 30, 2014. Minimum lease payment under the lease as of June 30, 2014, is \$100,174 and is due in 2014-2015 school year.

Note 9. Defined-Benefit Pension Plan

Plan Description

Name of Plan: The Public School Employees' Retirement System (the System)

Type of Plan: Governmental cost-sharing multiple-employer 401(a) defined benefit plan

Benefits: Retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare-insurance premium assistance to qualifying annuitants

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535).

Annual Financial Report: The System issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 N 5th Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the Publications page of the PSERS website, www.psers.state.pa.us.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, the District, and the Commonwealth.

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 members' 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 members' 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 7.50% (base rate) of the members' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F Membership contribute at 10.30% (base rate) of the members' 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 7.50% and 9.50% and the Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions: The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the District's rate of contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% 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, 2014, 2013 and 2012, were \$3,212,339; \$2,402,255; and \$1,621,196; respectively, and are equal to the required contributions for each year.

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
Notes: PSERS Retirement: An employee is eligible for PSERS early retirement while under 62 with 5 years of PSERS Service. An employee is eligible for special early retirement upon reaching age 55 with 25 years of PSERS Service. In addition, an employee is eligible for 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.			

Funding Progress

For the year ended June 30, 2014, 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, 2012. 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	\$ 229,288
Interest on Net OPEB Obligation	12,407
Less adjustment to the annual required contribution	(53,456)
Annual OPEB cost	188,239
Amounts contributed:	
Payments of current premiums and claims	(113,090)
Advance funding	-
Increase in net OPEB obligation	75,149
OPEB obligation - beginning of year	275,721
OPEB obligation - end of year	\$ 350,870

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Continued)

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, 2012	\$ 283,427	68.4%	\$ 329,087
June 30, 2013	180,294	129.6%	275,721
June 30, 2014	188,239	60.1%	350,870

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, 2012, actuarial valuation, the Entry Age Normal cost method was used. The actuarial assumptions include an annual health care cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 5.5% after eight years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized over 6 years as a level percentage of projected payroll on an open basis, with 4 years remaining.

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, 2014, was approximately \$852,214. 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, 2014, was \$3,942,300. 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, 2014, was \$231,817, 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, 2014, was approximately \$622,790. 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.

Note 14. Prior Period Adjustment

At June 30, 2013, for the governmental fund statements, the general fund expenses were understated by \$210,868, due to a transfer that was record improperly for payroll function. The results of these adjustments decreased the general fund balance by \$210,868.

REQUIRED SUPPLEMENTARY INFORMATION

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

POST-EMPLOYMENT BENEFITS PLAN

Year Ended June 30, 2014

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%

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, 2014, 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 14, 2015.

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 2014-001, 2014-002, 2014-003, 2014-004, to be a material weaknesses.

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.

**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, 2014. 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2014.

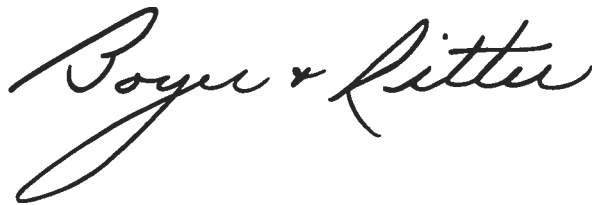
Report on Internal Control Over Compliance

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 14, 2015

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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 ☒ None Reported

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, 2014

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 ☒ No

Section II - Financial Statement Findings

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 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, 2014

Section II - Financial Statement Findings (Continued)

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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

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.

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section II - Financial Statement Findings (Continued)

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.

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, 2014

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, 2014

Grantor Program Title	Source Code	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, 2013	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2014
U.S. Department of Education										
Passed through the PA Dept. of Education										
Title I - Improving Basic Programs	I	84.010	013-130425	12-13	\$ 422,763	\$ 174,702	\$ 152,183	\$ 22,519	\$ 22,519	\$ -
Title I - Improving Basic Programs	I	84.010	013-140425	13-14	\$ 375,427	326,406	-	375,427	375,427	49,021
Title II - Improving Teacher Quality	I	84.367	020-130425	12-13	\$ 67,091	27,849	486	27,363	27,363	-
Title II - Improving Teacher Quality	I	84.367	020-140425	13-14	\$ 60,727	60,792	-	60,727	60,727	(65)
						589,749	152,669	486,036	486,036	48,956
Passed through Capital Area Intermediate Unit										
Title III - Language Instruction for Limited English Proficient and Immigrant Students	I	84.365	N/A	13-14	\$ 2,067	2,067	-	2,067	2,067	-
Special Education - Grants to States	I	84.027	N/A	13-14	\$ 475,224	425,579	-	475,224	475,224	49,645
Special Education - Preschool Grants	I	84.173	N/A	12-13	\$ 3,293	231	231	-	-	-
Special Education - Preschool Grants	I	84.173	N/A	13-14	\$ 2,790	2,790	-	2,790	2,790	-
Total passed through the Capital Area Intermediate Unit						430,667	231	480,081	480,081	49,645
Total U.S. Department of Education						1,020,416	152,900	966,117	966,117	98,601
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance Reimbursement for Administration	I	93.778	ACCESS	13-14	N/A	11,289	-	11,289	11,289	-
Total U.S. Department of Health and Human Services						11,289	-	11,289	11,289	-

(Continued)

SUSQUEHANNA TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2014

Grantor Program Title	Source Code	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, 2013	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2014
U.S. Department of Agriculture										
Passed through PA Department of Education										
National School Lunch Program	I	10.555	N/A	11-12	N/A	11,016	11,016	-	-	-
National School Lunch Program	I	10.555	N/A	12-13	N/A	493,655	-	512,264	512,264	18,609
School Breakfast Program	I	10.553	N/A	11-12	N/A	2,888	2,888	-	-	-
School Breakfast Program	I	10.553	N/A	12-13	N/A	97,800	-	105,190	105,190	7,390
Total passed through the Pennsylvania Department of Agriculture						605,359	13,904	617,454	617,454	25,999
Passed through the PA Department of Agriculture										
National School Lunch Program - Food Donations (a)	I	10.555	N/A	12-13	N/A	(b) 91,246	-	91,246 (c)	91,246	-
Total U.S. Department of Agriculture						696,605	13,904	708,700	708,700	25,999
Total Expenditures of Federal Awards						\$ 1,728,310	\$ 166,804	\$ 1,686,106	\$ 1,686,106	\$ 124,600

Test of 50% rule:

Total Federal Expenditures \$ 1,686,106

Program selected for testing major programs

National School Lunch Program

Special Education - Grants to States

708,700

478,014

\$ 1,186,714 / 1,686,106 = 70.38%

Source Codes:

D - Direct Funding

I - Indirect Funding

Legends:

(a) Donated commodities value at local market rates

(b) Total amount of commodities received from

Department of Agriculture

(c) Total amount of commodities used

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, 2014. 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*, 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, 2014

A. Material Weaknesses in Internal Control

Finding 2013-01

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 the external auditor's 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 School District's designee does not possess the expertise necessary to prepare the financial statements and the notes to the financial statements for Susquehanna Township School 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 School 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.

Views of responsible officials and planned corrective actions: Several years ago when GASB 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, 2014

B. Significant Deficiency

Findings 2013-02

Criteria: An integral component of an entity's internal control over financial reporting is the process of reconciling the bank accounts in a timely manner.

Condition and context: The School District has a bank account which is not being reconciled. This account consists of payroll withholdings of employees for their individual flexible spending accounts.

Cause and Effect: While we recognize these funds are not the District's, the District has a fiduciary responsibility to ensure the accuracy of this account through timely reconciliations as they are with holdings of employee money. Failing to reconcile bank accounts allows for misappropriation of funds and/or inaccurate financial reporting.

Views of responsible officials and planned corrective actions: During the audit process the lack of reconciliation procedures for the Flex Spending account was discovered by the auditors. The district's business office took immediate action to reconcile the account as of June 30, 2013. In addition procedures have been put in place for the district personnel to continue to reconcile this account with all of the other accounts on a monthly basis.

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