

**CONESTOGA VALLEY SCHOOL DISTRICT**

**YEAR ENDED JUNE 30, 2013**

# CONESTOGA VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2013

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YEAR ENDED JUNE 30, 2013

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## Independent Auditors' Report

Board Officers and Members  
Conestoga Valley School District  
Lancaster County, 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 Conestoga Valley School District as of and for the year ended June 30, 2013 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.

### **Auditors' 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 of 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 auditors' 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 auditors consider internal control relevant to the District'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 of the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the information about other postemployment benefits - schedule of funding progress 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Conestoga Valley School District's financial statements. The combining supplementary information on nonmajor funds is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, and is also not a required part of the financial statements. The combining fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 October 22, 2013 on our consideration of Conestoga Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Conestoga Valley School District's internal control over financial reporting and compliance.

*Brown Schultz Steidan & Fritz*

Lancaster, Pennsylvania  
October 22, 2013

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

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

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

**FINANCIAL HIGHLIGHTS**

The District adopted GASB 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and Statement No. 65 - Items Previously Reported as Assets and Liabilities. As a result, the prior year bond issuance costs of \$97,095 were adjusted to report only the bond insurance costs of \$16,605. This also resulted in a decrease of unrestricted net position at the beginning of the year of \$80,490. Amounts shown for 2012 in this MD&A have been adjusted for this change.

Financial highlights for the 2012-13 fiscal year were:

- Net position at June 30, 2013 was \$43,610,671 compared to \$38,237,206 at June 30, 2012.
- Capital assets at June 30, 2013 totaled \$57,279,354, net of accumulated depreciation and represented 68.6% of the total assets as of that date.
- Total debt outstanding at June 30, 2013 was \$30,558,390, a 13% decrease from the \$35,230,056 outstanding at June 30, 2012.
- Total revenues for the year ended June 30, 2013 were \$57,673,657 compared to \$55,888,952 for the year ended June 30, 2012, an increase of 3.2%. Total expenditures during the 2012-2013 fiscal year were \$52,300,192, an increase of 4.6% compared to \$50,022,310 for the year ended June 30, 2012.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

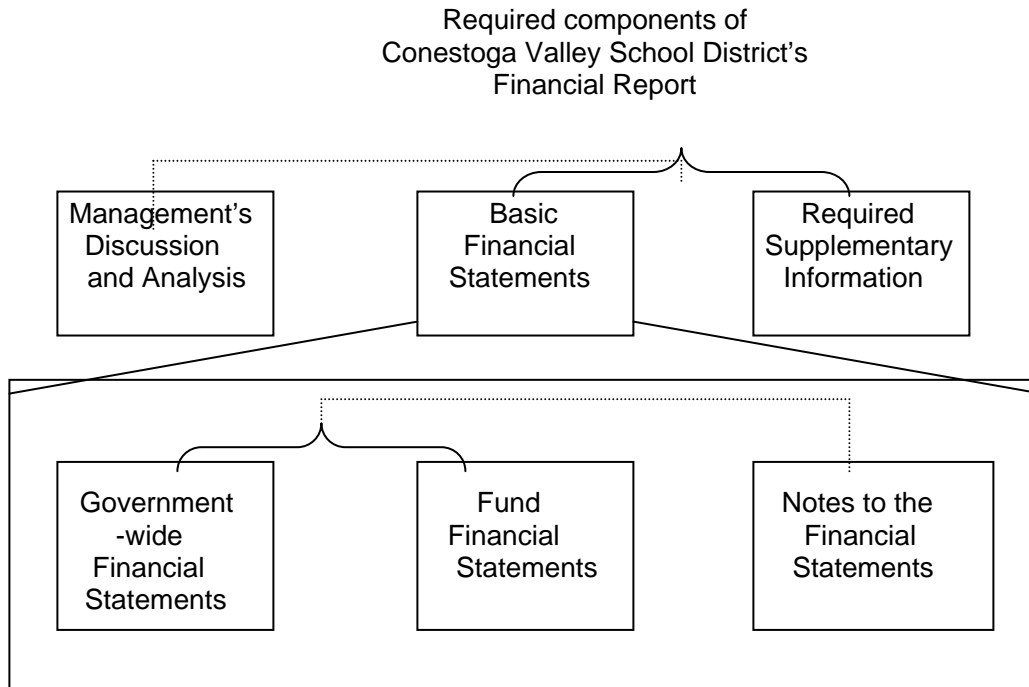
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplementary Information (RSI)  
June 30, 2013  
(unaudited)

**USING THIS ANNUAL REPORT**

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

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

The following diagram shows how the required parts of the Financial Report are arranged and relate to one another:





**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

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

Major Features of Conestoga Valley School District's  
Government-wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services and Internal Service	Instances in which the District is the trustee or agent to someone else's resources – Scholarship Funds
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**CONESTOGA VALLEY SCHOOL DISTRICT**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplementary Information (RSI)  
June 30, 2013  
(unaudited)

**OVERVIEW OF FINANCIAL STATEMENTS**

*Government-wide Statements*

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

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows and liabilities and deferred inflows, is one way to measure the District's financial health.

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

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

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

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

*Fund Financial Statements*

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

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplementary Information (RSI)  
June 30, 2013  
(unaudited)

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private-sector; or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund and the Internal Service Fund are the District's proprietary funds.

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$43,610,671 and \$38,237,206 at June 30, 2013 and 2012, respectively, per the following schedule:

Fiscal Year Ended June 30  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 24,324,445	\$ 20,439,314	\$ 404,227	\$ 423,033	\$ 24,728,672	\$ 20,862,347
Capital assets	57,098,589	58,816,434	180,765	202,712	57,279,354	59,019,146
Noncurrent assets	13,586	16,605			13,586	16,605
Deferred outflows	1,452,027				1,452,027	
<b>Total assets and deferred outflows of resources</b>	<b>\$ 82,888,647</b>	<b>\$ 79,272,353</b>	<b>\$ 584,992</b>	<b>\$ 625,745</b>	<b>\$ 83,473,639</b>	<b>\$ 79,898,098</b>
Current liabilities	\$ 10,198,194	\$ 9,109,087	\$ 402,394	\$ 482,838	\$ 10,600,588	\$ 9,591,925
Long-term liabilities	29,262,380	32,068,967			29,262,380	32,068,967
<b>Total liabilities</b>	<b>\$ 39,460,574</b>	<b>\$ 41,178,054</b>	<b>\$ 402,394</b>	<b>\$ 482,838</b>	<b>\$ 39,862,968</b>	<b>\$ 41,660,892</b>
Net investment in capital assets	\$ 25,961,526	\$ 23,269,525	\$ 180,765	\$ 202,712	\$ 26,142,291	\$ 23,472,237
Unrestricted	17,466,547	14,824,774	1,833	(59,805)	17,468,380	14,764,969
<b>Total net position</b>	<b>\$ 43,428,073</b>	<b>\$ 38,094,299</b>	<b>\$ 182,598</b>	<b>\$ 142,907</b>	<b>\$ 43,610,671</b>	<b>\$ 38,237,206</b>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

Net position of governmental activities at June 30, 2013 was \$43,428,073 compared to \$38,094,299 at June 30, 2012. The most significant category of assets is capital assets of \$57,279,354, net of accumulated depreciation, at June 30, 2013. The District's Statement of Net Position included \$30,558,390 of bonds payable at June 30, 2013 that support those capital assets. The result of activities for the District provided a net addition of \$5,373,465 to net position during the 2012-2013 fiscal year. The District assigned an additional \$1,500,000 of its fund balance to offset future retirement costs and \$100,000 towards land assessment appeals. The District also transferred \$100,000 to the Food Service Fund and \$1,767,689 to the Capital Reserve Fund.

The following takes the information from that statement and rearranges it slightly, so you can see our total revenues for the year.

	Fiscal Year Ended June 30					
	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 498,272	\$ 557,094	\$ 824,431	\$ 895,039	\$ 1,322,703	\$ 1,452,133
Operating grants and contributions	8,374,186	7,478,058	991,179	963,413	9,365,365	8,441,471
General revenues:						
Property taxes	37,516,462	36,809,611			37,516,462	36,809,611
Other taxes	5,405,560	5,194,015			5,405,560	5,194,015
Grants and subsidies, unrestricted	3,731,867	3,732,309			3,731,867	3,732,309
Other	231,663	259,830	100,037	(417)	331,700	259,413
Total revenues	<u>55,758,010</u>	<u>54,030,917</u>	<u>1,915,647</u>	<u>1,858,035</u>	<u>57,673,657</u>	<u>55,888,952</u>
Expenditures:						
Instructional services	33,269,618	31,857,157			33,269,618	31,857,157
Support services	14,621,453	13,962,394			14,621,453	13,962,394
Noninstructional services	2,533,165	2,318,967			2,533,165	2,318,967
Food service			1,875,956	1,883,792	1,875,956	1,883,792
Total expenditures	<u>50,424,236</u>	<u>48,138,518</u>	<u>1,875,956</u>	<u>1,883,792</u>	<u>52,300,192</u>	<u>50,022,310</u>
Increase (decrease) in net position	<u>\$ 5,333,774</u>	<u>\$ 5,892,399</u>	<u>\$ 39,691</u>	<u>\$ (25,757)</u>	<u>\$ 5,373,465</u>	<u>\$ 5,866,642</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

Total revenues for the year ended June 30, 2013 increased by \$1,784,705 or 3.2% from the year ended June 30, 2012. Revenues from property and other taxes increased by \$918,395 or 2.2% as compared to the previous year. Real estate tax revenues were higher in 2012-2013 as a result of an increase of 1.7% in the mills assessed on real property. Increases in assessed value of property due to growth were, for the most part, offset by assessment appeals.

Total expenditures increased by \$2,277,882 or 4.6% for the year ended June 30, 2013 compared to the year ended June 30, 2012.

The following presents the expenses of both the Governmental Activities and the Business-type Activities of the District as well as each program's net cost (total cost less revenues generated by the activities). The net costs are offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

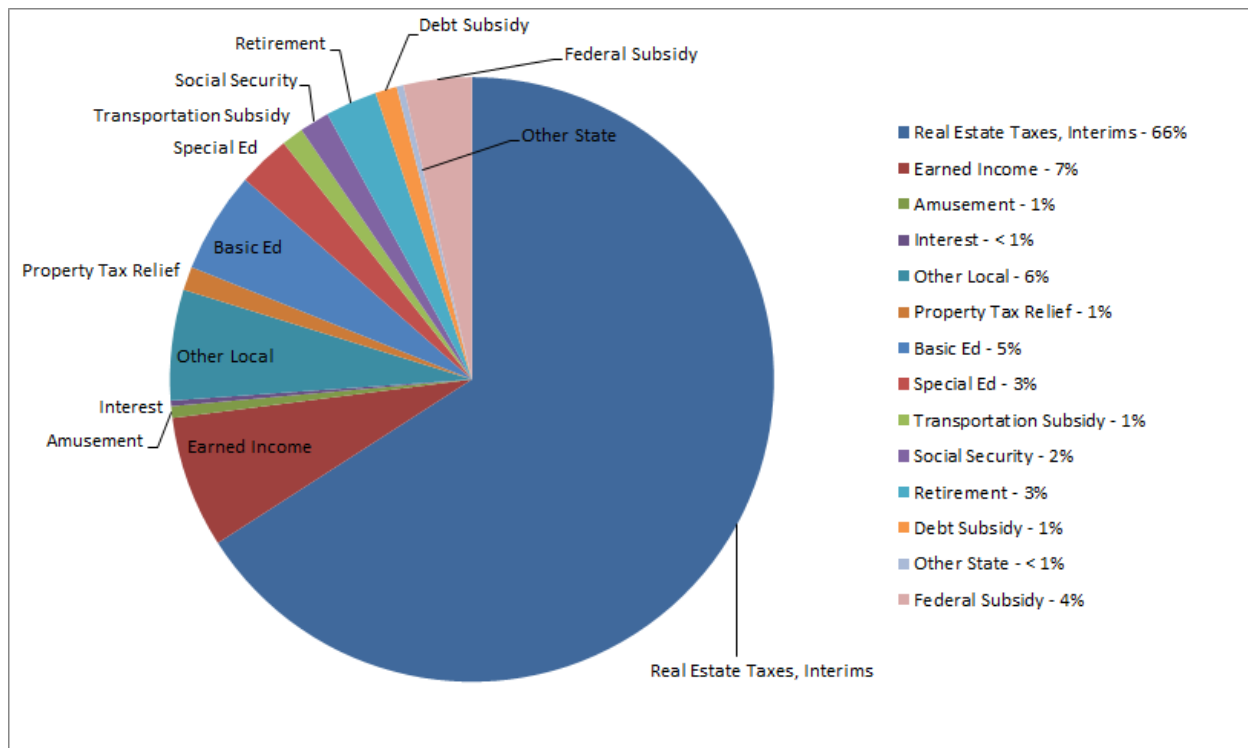
Function/Programs	Fiscal Year Ended June 30			
	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Regular instruction	\$ 26,187,667	\$ 24,948,461	\$ 22,788,538	\$ 22,343,164
Special instruction	6,142,996	5,823,737	3,686,023	3,339,347
Vocational instruction	807,540	864,046	703,294	652,034
Other instructional programs	131,415	220,913	127,549	155,154
Pupil personnel	1,900,049	1,779,992	1,772,849	1,679,284
Instructional staff	2,106,928	1,709,796	1,731,606	1,576,308
Administration	2,375,661	2,315,094	2,205,001	2,201,636
Pupil health	456,664	429,268	325,209	303,167
Business services	447,479	461,491	419,945	438,955
Operation of plant and maintenance	4,368,450	4,219,976	4,238,895	4,116,394
Student transportation services	2,139,513	2,136,082	1,211,275	1,123,967
Central	782,057	866,784	743,021	826,133
Other support services	44,652	43,911	44,652	43,911
Student activities	1,290,027	1,173,108	971,127	848,646
Community services	15,258	20,302	(649)	(2,540)
Capital outlay		18,549		18,549
Refund of prior years' revenue and miscellaneous	990	36,626	990	36,626
Debt service, interest	1,226,890	1,070,382	582,452	402,631
<b>Total government activities</b>	<b>\$ 50,424,236</b>	<b>\$ 48,138,518</b>	41,551,777	40,103,366
Less: unrestricted grants, subsidies			3,731,867	3,732,309
<b>Total needs from local taxes and other revenues</b>			<b>\$ 37,819,910</b>	<b>\$ 36,371,057</b>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

The educational programs shown in the above table are not fully supported by governmental or other grants or subsidies and, therefore, are dependent upon local taxes and other local revenues to fund the difference. The local need of \$37,819,910 for the year ended June 30, 2013 was 4.0% higher than the \$36,371,057 needed for the year ended June 30, 2012. Generally, this shortfall is resolved through increases in local real estate tax receipts.

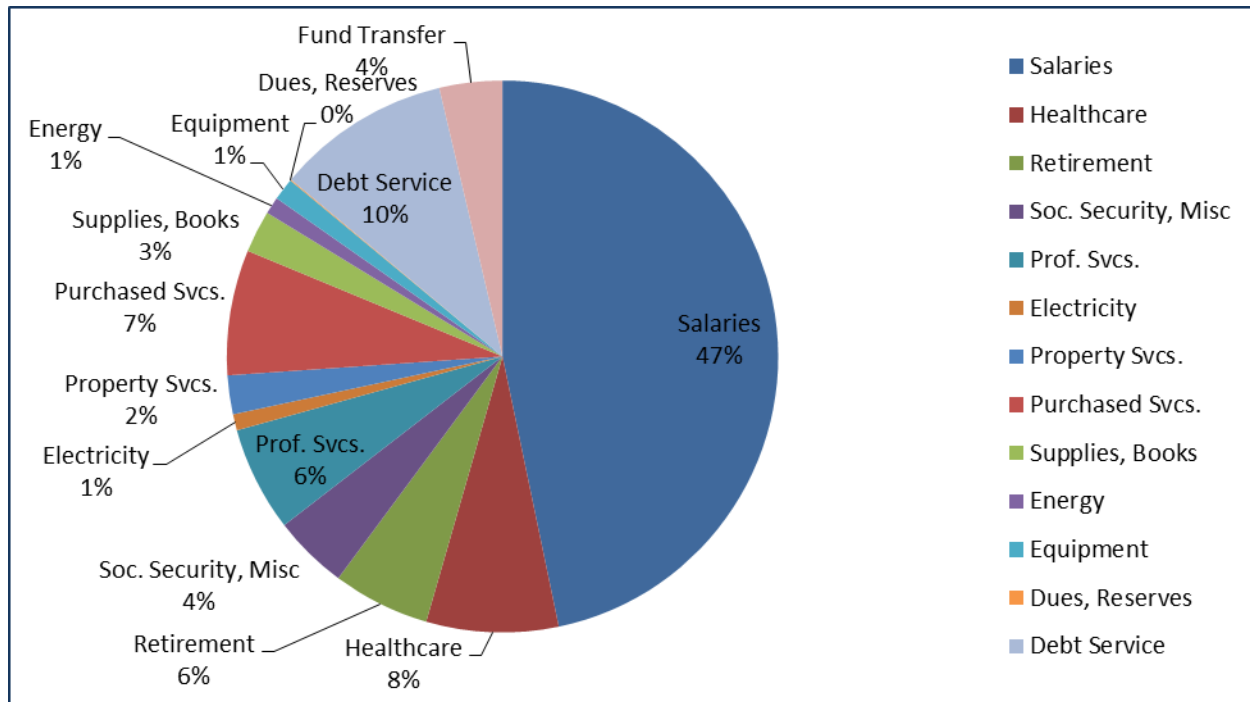
The sources of revenue distributed according to local, state and federal sources for the 2012-2013 fiscal year are shown in the following chart. Of the total revenues, 80% were from local sources, 16% from state sources and 4% from federal sources.



**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

The next chart shows the distribution of expenditures of the District for the year ended June 30, 2013. The most significant categories are salaries and benefits which represent 65% of the total general fund expenditures.



The following reflects the activities of the Food Service program, the Business-type activity of the District.

Fiscal year Ended June 30  
Business-Type Activities

Function/Programs	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Food services	\$ 1,875,956	\$ 1,883,792	\$ 60,346	\$ 25,340
Investment earnings			(37)	(80)
Loss on disposal of assets				497
Transfers			(100,000)	-
<b>Total business-type activities</b>			<b>\$ (39,691)</b>	<b>\$ 25,757</b>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

The Statement of Revenues, Expenses and Changes in Fund Net Position for the proprietary funds will further detail the actual results of operations.

**THE DISTRICT FUNDS**

Information shown in the District's fund statements is accounted for using the modified accrual basis of accounting. The District's general fund recognized total revenues of \$55,822,940 and expenditures and net other financing uses of \$54,417,238 during the fiscal year ended June 30, 2013. The unassigned fund balance in the general fund at June 30, 2012 was approximately \$4.0 million or 7.9% of budgeted expenditures for fiscal year 2012-2013. The Commonwealth of Pennsylvania restricts the amount of unreserved/undesignated fund balance that a school district may maintain relative to the total amount of its expenditures. This limit is effective for any district that is increasing its local property tax assessment rate. The District fund balance limit is 8.0% of total expenditures for the 2013-2014 budget year.

The District expects that salaries and benefits will increase by approximately \$3,698,948 or 10.5% in the 2013-2014 fiscal year. This increase includes an increase in salary expense, of which a significant portion is contractually committed. A review of staffing needs is performed prior to the adoption of each school year budget in order to determine the appropriate staffing levels for the upcoming fiscal year. A total of 4.5 additional professional positions and 2 support staff positions were added for the 2013-2014 year. Expenditures for medical insurance premiums are expected to increase by \$455,766 and expenditures for retirement benefits paid by the District on behalf of its employees are expected to increase by \$1,484,784 in 2013-2014.

Full-time and many part-time employees of the School District are participants in the Pennsylvania School Employees Retirement System (PSERS). PSERS is a state-wide plan that offers a defined retirement benefit to its eligible members. Actuarial assumptions that have been in effect during the past several years have combined with weaker than expected investment performance of PSERS investments to create the need for a significant increase in employer contributions at a relatively high rate continuing until the 2019-2020 fiscal year, at which time the rate is expected to plateau. The District assigns a portion of its fund balance through its annual budget and expects to utilize these reserves in future periods to offset the anticipated significant increases in the rate that will be paid by employers of Pennsylvania school employees.

The District has experienced significant increases in tuition it is required to pay to cyber charter schools throughout the Commonwealth in which its resident students are enrolled. The District does not participate in the establishment or operation of these entities, but is mandated to make payments to them based upon enrollment of students domiciled in the District. The District now hosts an alternative by offering the Conestoga Valley Cyber Academy.

The District is considering a capital project within the next year or two including athletic stadium renovations.



**CONESTOGA VALLEY SCHOOL DISTRICT**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)  
Required Supplementary Information (RSI)  
June 30, 2013  
(unaudited)

Total revenues, excluding an increase in the property tax rate, are projected to be essentially level for 2013-2014 compared to 2012-2013 as support from the Commonwealth of Pennsylvania is budgeted at levels consistent with the previous year. Under Act 1 of 2006, the District is subject to a "cap" or index on the amount of the real estate property tax rate it can assess on its properties. That index for the 2013-2014 fiscal year is 1.7%, and the index for 2014-2015 will be 2.1%. The District may be eligible to apply for exceptions that would allow it to assess a real estate tax rate increase above this amount; however, these exceptions have been significantly reduced through legislation adopted during the 2011-2012 Commonwealth Budget process.

General Fund Budget

The District prepares its Annual Budget in accordance with Pennsylvania law and is based on accounting for certain transactions on the modified cash basis for receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the fiscal year, the Board of School Directors (the School Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule is included as part of this financial report that shows the District's original and final budget amounts compared with amounts actually paid and received during the year.

The General Fund Budget revenue was \$1,555,098 or 2.9% above the final budget amount of \$54,259,620. Revenue variances included real estate and interim taxes, delinquent real estate taxes, transfer taxes, earned income taxes, refund of prior years' expenditures and state subsidies.

The final budget for expenditures and net financing sources in the 2012-2013 budget was planned to be \$54,944,482. Actual expenditures and financing sources were \$54,399,365 or 99% of the budgeted amounts. Expenditures were below budget in salaries and benefits, purchased special education services and tuition as well as electricity. An assignment of \$1,500,000 to offset future retirement costs for its employees was made during the year. As of June 30, 2013, a cumulative amount of \$7,413,314 had been assigned from the District's fund balance to offset these future increases. Transfers totaling \$1,867,689 were made from the General Fund to the Capital Projects Fund and from the General Fund to the Food Service Fund during the 2012-2013 year.

Capital Projects Fund

The District maintains a Capital Projects Fund that is utilized for unexpected and other capital projects. At June 30, 2013, the Capital Projects Fund had a fund balance of \$3,206,209. The District recognized a transfer of \$1,767,689 into this fund from available funds in the General Fund during 2012-2013.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2013, the District's capital assets increased by \$1,295,067 to \$100,329,695. Capital assets include land, buildings and furniture and equipment and construction in progress. The following provides a breakdown of the capital assets and the accumulated depreciation as of June 30, 2013 and 2012.

Capital Assets

	2013	2012
Land	\$ 1,919,203	\$ 1,919,203
Site improvements	2,525,564	2,525,564
Building and improvements	87,568,629	87,565,409
Furniture and equipment	8,161,462	7,014,983
Construction in progress	154,837	9,469
	100,329,695	99,034,628
Accumulated depreciation	(43,050,341)	(40,218,194)
	\$ 57,279,354	\$ 58,816,434

Debt Administration

In May 2012, the General Obligation Bonds, Series of 2012 for \$25,960,000 was issued to advance refund the General Obligation Bonds, Series of 2003, with a principal balance of \$26,315,000 due to lower interest rates. The net present value savings over the term of the refinance is \$1,340,035. As of July 1, 2012, the District had total outstanding bond principal of \$35,230,056. During the 2012-13 year, the District made payments against principal of \$4,671,666. The ending outstanding debt as of June 30, 2013 is \$30,558,390.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

The following schedule provides the outstanding balances of those bond issues as of June 30, 2013 and 2012.

Outstanding Debt

	2013	2012
Bonds, Series of 2004	\$ 6,300,000	\$ 7,880,000
Note, Series of 2004	373,387	623,387
Note, Series of 2008	700,003	766,669
Bonds, Series of 2012	23,185,000	25,960,000
	\$ 30,558,390	\$ 35,230,056

Other obligations include accrued compensated absences (vacation pay, sick leave, personal days) for specific employees of the District. More detailed information about our long-term liabilities is included in Note 10 to the financial statements.

**OTHER ITEMS AFFECTING THE FINANCIAL STRENGTH OF THE DISTRICT**

Conestoga Valley School District considers its financial condition to be sound. The District believes its local community support to be very positive. Future financial condition may be challenged by significant increases in the cost of District contributions to its employees' state retirement plan (contributions are paid by the District on behalf of its participating employees) and by potentially significant increases in employee health care insurance premium expenses. Revenue sources are anticipated to remain flat in the next fiscal year.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

The 2013-2014 fiscal year budget was prepared in accordance with the mandates of Act 1 of 2006 (Act 1). Act 1 is likely to continue to have an effect upon the financial activity of the District in future years. The Act places an (index) cap on the percent increase that the District may raise its real estate tax millage rate without requiring approval from voters in a back-end referendum. Certain exceptions may be approved by the Pennsylvania Department of Education for retirement or special education costs that would permit the District to exceed this index without requiring voter approval. The available exceptions for the 2013-2014 fiscal year budget have been reduced from ten exceptions that had been available to school district in previous years under Act 1 of 2006. In the event that the rate of increase would exceed this Act 1 index rate, including any permissible exceptions, the District would be required to place a referendum question on the primary election ballot asking the taxpayers to approve the higher millage rate increase. In order to facilitate this referendum process, the Act changes the budget timetable for school districts. Preliminary budget approval by the Board of School Directors is required 90 days prior to the primary election, and this proposed preliminary budget must be available for public inspection 20 days prior to approval by the Board. School districts also have the option to adopt a resolution that the final budget will not exceed the (index) percent in the real estate tax rate to be assessed on properties located in the school district. This resolution must be passed by the board of school directors no less than 110 days prior to the primary election. The final date for availability for public inspection for the 2014-2015 preliminary budget or for adoption of a resolution not to exceed the index will be January 31, 2014. The (index) cap applicable to the District was 1.7% for the 2012-2013 fiscal year, 1.7% for the 2013-2014 fiscal year and will be 2.1% for the 2014-2015 budget year.

One of America's top bond credit rating agencies awarded the District one of the highest ratings for a Pennsylvania school district in May 2012. The District is one of just 55 Commonwealth school districts to receive a rating of Aa2 or better, placing it in the top 10 percent. Citing Conestoga Valley's (CV) "sound financial management," "healthy financial reserves" and "track record of conservative budgeting," Moody's assigned the District its third-highest rating, meaning it considers the District's \$36.8 million in outstanding debt high quality and very low credit risk to investors. The Aa2 rating easily places the District in Moody's top "Prime-1" category for short-term debt. The Aa2 rating is an upgrade from the District's 2003 bond issue, when Moody's rated CV Aa3. Moody's top rating is Aaa, which is rare. As challenges, the agency listed rising contractual salary and benefit costs, by which it means the state's burgeoning pension mandates, and only "average" demographics and wealth indices.

The District asked for a review from Moody's as part of a plan to "call" \$27.5 million in outstanding bonds issued in 2003 to renovate and expand CV High School and Fritz Elementary School

The District has a Collective Bargaining Agreement with its professional staff that extends to June 30, 2015.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
LANCASTER, PENNSYLVANIA

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

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Phyllis Heverly Flesher, Director of Administrative Services or Adele Huntzinger, Assistant Director of Business Services at Conestoga Valley School District, 2110 Horseshoe Road, Lancaster, PA 17601, (717) 397-2421.

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 5,503,544		\$ 5,503,544
Investments	15,056,777	\$ 330,301	15,387,078
Restricted investments	48,930		48,930
Taxes receivable, net	1,642,600		1,642,600
Due from other governments	1,634,166	13,436	1,647,602
Other receivables, net	374,245	5,571	379,816
Inventories		41,110	41,110
Prepaid expenses	64,183	13,809	77,992
	<hr/>	<hr/>	<hr/>
Total current assets	<u>24,324,445</u>	<u>404,227</u>	<u>24,728,672</u>
Noncurrent assets:			
Capital assets:			
Construction in progress	154,837		154,837
Land	1,919,203		1,919,203
Site improvements	2,525,564		2,525,564
Buildings and building improvements	87,568,629		87,568,629
Furniture and equipment	7,127,846	1,033,616	8,161,462
Accumulated depreciation	<u>(42,197,490)</u>	<u>(852,851)</u>	<u>(43,050,341)</u>
Total capital assets	57,098,589	180,765	57,279,354
Bond insurance costs, net	<u>13,586</u>		<u>13,586</u>
Total noncurrent assets	<u>57,112,175</u>	<u>180,765</u>	<u>57,292,940</u>
Total assets	<u>81,436,620</u>	<u>584,992</u>	<u>82,021,612</u>
Deferred outflows of resources, deferred charge on refunding	<u>1,452,027</u>		<u>1,452,027</u>
Total assets and deferred outflows of resources	<u>\$ 82,888,647</u>	<u>\$ 584,992</u>	<u>\$ 83,473,639</u>

See notes to financial statements.

## LIABILITIES AND NET POSITION

	Governmental activities	Business-type activities	Total
<b>Current liabilities:</b>			
Internal balances	\$ (373,653)	\$ 373,653	\$ -
Accounts payable	1,430,661	728	1,431,389
<b>Current portion of:</b>			
Capital lease obligation	117,969		117,969
Bonds and notes payable	4,471,666		4,471,666
Accrued salaries and benefits	3,693,485	10,543	3,704,028
Payroll deductions and withholdings	293,113		293,113
Accrued interest	431,466		431,466
Unearned revenue	133,487	17,470	150,957
	<u>10,198,194</u>	<u>402,394</u>	<u>10,600,588</u>
<b>Noncurrent liabilities:</b>			
Capital lease obligation	184,228		184,228
Bonds and note payable	27,815,227		27,815,227
Early retirement incentive	238,556		238,556
Compensated absences	552,922		552,922
Other postemployment benefits	471,447		471,447
	<u>29,262,380</u>		<u>29,262,380</u>
<b>Total noncurrent liabilities</b>	<u>29,262,380</u>		<u>29,262,380</u>
<b>Total liabilities</b>	<u>39,460,574</u>	<u>402,394</u>	<u>39,862,968</u>
<b>Net position:</b>			
Net investment in capital assets	25,961,526	180,765	26,142,291
Unrestricted	17,466,547	1,833	17,468,380
	<u>43,428,073</u>	<u>182,598</u>	<u>43,610,671</u>
<b>Total net position</b>	<u>43,428,073</u>	<u>182,598</u>	<u>43,610,671</u>
<b>Total liabilities and net position</b>	<u>\$ 82,888,647</u>	<u>\$ 584,992</u>	<u>\$ 83,473,639</u>

# CONESTOGA VALLEY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

	Program revenues		Net revenue (expense) and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Instructional services:						
Regular instruction	\$ 26,187,667	\$ 38,774	\$ 3,360,355	\$ (22,788,538)		\$ (22,788,538)
Special instruction	6,142,996		2,456,973	(3,686,023)		(3,686,023)
Vocational instruction	807,540		104,246	(703,294)		(703,294)
Other instructional programs	131,415		3,866	(127,549)		(127,549)
<b>Total instructional services</b>	<b>33,269,618</b>	<b>38,774</b>	<b>5,925,440</b>	<b>(27,305,404)</b>		<b>(27,305,404)</b>
Support services:						
Pupil personnel	1,900,049		127,200	(1,772,849)		(1,772,849)
Instructional staff	2,106,928		375,322	(1,731,606)		(1,731,606)
Administration	2,375,661		170,660	(2,205,001)		(2,205,001)
Pupil health	456,664		131,455	(325,209)		(325,209)
Business services	447,479		27,534	(419,945)		(419,945)
Operation of plant and maintenance	4,368,450		129,555	(4,238,895)		(4,238,895)
Student transportation services	2,139,513	265,050	663,188	(1,211,275)		(1,211,275)
Central	782,057		39,036	(743,021)		(743,021)
Other support services	44,652			(44,652)		(44,652)
<b>Total support services</b>	<b>14,621,453</b>	<b>265,050</b>	<b>1,663,950</b>	<b>(12,692,453)</b>		<b>(12,692,453)</b>
Noninstructional services:						
Student activities	1,290,027	194,448	124,451	(971,128)		(971,128)
Community services	15,258		15,907	649		649
Refund of prior years' revenue and miscellaneous	990			(990)		(990)
Debt service:						
Lease rental payment	72,436			(72,436)		(72,436)
Interest	1,154,454		644,438	(510,016)		(510,016)
<b>Total noninstructional services</b>	<b>2,533,165</b>	<b>194,448</b>	<b>784,796</b>	<b>(1,553,921)</b>		<b>(1,553,921)</b>

(continued)



**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2013

	Program revenues			Net revenue (expense) and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Total government activities	\$ 50,424,236	\$ 498,272	\$ 8,374,186	\$ (41,551,778)		\$ (41,551,778)
Business-type activities, food service	1,875,956	824,431	991,179		\$ (60,346)	(60,346)
Total primary government	<u>\$ 52,300,192</u>	<u>\$ 1,322,703</u>	<u>\$ 9,365,365</u>	<u>(41,551,778)</u>	<u>(60,346)</u>	<u>(41,612,124)</u>
General revenues:						
Taxes:						
Property, etc.				37,516,462		37,516,462
Other				5,405,560		5,405,560
Grants, subsidies, other nonrestricted				3,731,867		3,731,867
Interest				168,890	37	168,927
Loss on disposal of assets				(70,949)		(70,949)
Miscellaneous				233,722		233,722
Transfers				(100,000)	100,000	-
Total general revenues and transfers				<u>46,885,552</u>	<u>100,037</u>	<u>46,985,589</u>
Change in net position				5,333,774	39,691	5,373,465
Net position:						
July 1, 2012, as restated				<u>38,094,299</u>	<u>142,907</u>	<u>38,237,206</u>
June 30, 2013				<u>\$ 43,428,073</u>	<u>\$ 182,598</u>	<u>\$ 43,610,671</u>

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

BALANCE SHEET – GOVERNMENTAL FUNDS – JUNE 30, 2013

ASSETS

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Capital Project Funds Capital reserve fund	Debt service fund		
Assets:					
Cash and cash equivalents	\$ 5,503,540		\$ 4		\$ 5,503,544
Investments	11,691,037	\$ 1,579,278		\$ 135,794	13,406,109
Restricted investments	48,930				48,930
Taxes receivable, net	1,642,600				1,642,600
Due from:					
Other funds	482,949	1,767,689	433,973	175	2,684,786
Other governments	1,634,166				1,634,166
Other receivables, net	362,896			11,350	374,246
Prepaid expenses	199,425				199,425
<b>Total assets</b>	<b>\$ 21,565,543</b>	<b>\$ 3,346,967</b>	<b>\$ 433,977</b>	<b>\$ 147,319</b>	<b>\$ 25,493,806</b>

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED) – JUNE 30, 2013

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	Major funds				
		Capital Project Funds			
	General fund	Capital reserve fund	Debt service fund	Nonmajor funds	Total governmental funds
Liabilities:					
Due to other funds	\$ 2,301,837	\$ 8,611		\$ 685	\$ 2,311,133
Accounts payable	1,018,215	132,147	\$ 10,243	1,451	1,162,056
Accrued salaries and benefits	3,693,485				3,693,485
Payroll deductions and withholdings	293,113				293,113
Unearned revenue	133,487				133,487
	<b>7,440,137</b>	<b>140,758</b>	<b>10,243</b>	<b>2,136</b>	<b>7,593,274</b>
Total liabilities					
Deferred inflows of resources, unavailable revenue	576,172				576,172
Fund balances:					
Nonspendable	199,425				199,425
Restricted		3,206,209	423,734		3,629,943
Committed	7,413,314				7,413,314
Assigned	2,163,168			145,183	2,308,351
Unassigned	3,773,327				3,773,327
	<b>13,549,234</b>	<b>3,206,209</b>	<b>423,734</b>	<b>145,183</b>	<b>17,324,360</b>
Total fund balances					
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 21,565,543</b>	<b>\$ 3,346,967</b>	<b>\$ 433,977</b>	<b>\$ 147,319</b>	<b>\$ 25,493,806</b>

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

YEAR ENDED JUNE 30, 2013

Total fund balances, governmental funds		\$ 17,324,360
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$99,296,079, and the accumulated depreciation is \$42,197,490.		57,098,589
Internal service funds are used by management to charge the costs of certain activities to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net position. Internal service fund, net.		1,371,820
Property taxes receivable are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the funds.		576,172
Debt service payments made prior to the due date are recorded as prepaids in the funds.		(135,242)
Deferred charge on refunding is not reported as a deferred outflow of resources in the funds.		1,452,027
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long term liabilities at year end consist of:		
Notes payable	\$ (1,073,390)	
Bonds payable	(29,485,000)	
Capital lease obligation	(302,197)	
Bonds insurance costs, net of amortization	13,586	
Accrued interest on the bonds	(421,224)	
Bond premium	(1,728,503)	
Compensated absences	(552,922)	
Early retirement incentive	(238,556)	
Other postemployment benefits	(471,447)	(34,259,653)
Total net position of governmental activities		<u>\$ 43,428,073</u>

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2013

	Major funds			Nonmajor funds	Total governmental funds
	General fund	Capital Project Funds Capital reserve fund	Debt service fund		
Revenues and other financing sources:					
Revenues:					
Local sources:					
Real estate taxes and penalties	\$ 37,546,228				\$ 37,546,228
Other taxes and penalties	5,350,497				5,350,497
Investment income	168,617	\$ 106		\$ 16	168,739
Rent	86,064				86,064
Other revenues	1,390,129			101,696	1,491,825
Total local sources	44,541,535	106		101,712	44,643,353
State sources	9,246,566				9,246,566
Federal sources	2,034,839				2,034,839
Other financing sources, interfund transfers		1,767,689	\$ 5,454,095		7,221,784
Total revenues and other financing sources	55,822,940	1,767,795	5,454,095	101,712	63,146,542

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	Major funds				
		Capital Project Funds			
	General fund	Capital reserve fund	Debt service fund	Nonmajor funds	Total governmental funds
Expenditures and other financing uses:					
Expenditures:					
Current:					
Instruction	\$ 31,402,864				\$ 31,402,864
Support services	14,425,208				14,425,208
Operation of noninstructional services	1,153,701			\$ 147,468	1,301,169
Refund of prior year's revenue and miscellaneous	548		\$ 442		990
Capital outlay		\$ 148,588			148,588
Debt service:					
Principal	72,436		4,671,666		4,744,102
Interest	40,697		842,390		883,087
Total expenditures	47,095,454	148,588	5,514,498	147,468	52,906,008
Other financing uses, interfund transfers	7,321,784				7,321,784
Total expenditures and other financing uses	54,417,238	148,588	5,514,498	147,468	60,227,792

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
(CONTINUED)

YEAR ENDED JUNE 30, 2013

	<u>Major funds</u>				
	<u>General</u>	<u>Capital Project Funds Capital reserve fund</u>	<u>Debt service fund</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 1,405,702	\$ 1,619,207	\$ (60,403)	\$ (45,756)	\$ 2,918,750
Fund balances:					
July 1, 2012	<u>12,143,532</u>	<u>1,587,002</u>	<u>484,137</u>	<u>190,939</u>	<u>14,405,610</u>
June 30, 2013	<u><u>\$ 13,549,234</u></u>	<u><u>\$ 3,206,209</u></u>	<u><u>\$ 423,734</u></u>	<u><u>\$ 145,183</u></u>	<u><u>\$ 17,324,360</u></u>

See notes to financial statements.

**CONESTOGA VALLEY 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, 2013

Total net change in fund balances, governmental funds	\$ 2,918,750
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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays for the year. Depreciation expense, \$2,713,448; capital outlays, \$1,066,552.	(1,646,896)
Loss on disposals of fixed assets is not recorded in the governmental funds.	(70,949)
Because property taxes will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds.	4,038
Interest expense on prepaid debt service is recorded in prepaids in the governmental funds.	5,166
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, bonds and note principal.	4,671,666
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, lease principal.	121,493
The internal service funds, are used by mangement to charge the cost of certain activites to individual funds. The net revenue of the internal service is:	90,462

(continued)



**CONESTOGA VALLEY SCHOOL DISTRICT**

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

YEAR ENDED JUNE 30, 2013

Amounts reported for governmental activities in the statement of activities are different because (continued):

In the statement of activities, certain operating expenses are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. These amounts represent the difference between the amount incurred versus the amount used.

Early retirement incentive	\$ 86,526
Compensated absences	(47,146)

The amount of the District's annual required contribution for other postemployment benefits is recorded on the full accrual statements to record plan obligations as of year-end. These liabilities are not reported in the governmental funds.

(99,112)

The issuance of long-term obligations (ie. bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of principal of long-term obligations consumes the the current financial resources of governmental funds. Also, governmental funds report the effect of insurance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Change in accrued interest expense on bonds payable	\$ (304,424)
Bond premium amortization	259,747
Amortization of bond insurance costs and deferred charge on refunding	(231,857)
Capital lease obligation	(423,690)
	<u>(700,224)</u>

Change in net position of governmental activities

\$ 5,333,774

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2013**

ASSETS

	Major funds	
	Food service	Internal service
Cash and cash equivalents		
Investments	\$ 330,301	\$ 1,650,668
Due from:		
Other governments	13,436	
Other funds	100,000	
Other receivables, net	5,571	
Inventory	41,110	
Prepays	13,809	
	504,227	1,650,668
Total current assets		
Noncurrent assets:		
Machinery and equipment	1,033,616	
Accumulated depreciation	(852,851)	
	180,765	
Total noncurrent assets		
Total assets	\$ 684,992	\$ 1,650,668

See notes to financial statements.

## LIABILITIES AND NET POSITION

	Major funds	
	Food service	Internal service
Current liabilities:		
Due to other funds	\$ 473,653	
Accounts payable	728	\$ 278,848
Accrued salaries and benefits	10,543	
Unearned revenue	17,470	
Total current liabilities	502,394	278,848
Net position:		
Net investment in capital assets	180,765	
Unrestricted	1,833	1,371,820
Total net position	182,598	1,371,820
Total liabilities and net position	\$ 684,992	\$ 1,650,668

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Major funds	
	Food service	Internal service
Operating revenues:		
Food service revenue	\$ 786,000	
Charges for services		\$ 5,000,000
Other local sources	38,431	
Total operating revenues	824,431	5,000,000
Operating expenses:		
Depreciation	25,660	
Employee benefits, medical insurance		4,560,086
Food supplies	945,161	
Miscellaneous expenses	21,739	
Administrative services		349,603
Personnel	883,396	
Total operating expenses	1,875,956	4,909,689
Operating income (loss)	(1,051,525)	90,311
Nonoperating revenues:		
Earnings on investments	37	151
State subsidy revenue	63,243	
Federal subsidy revenue	864,426	
Social Security subsidy revenue	24,373	
Retirement subsidy revenue	39,137	
Total nonoperating revenues	991,216	151
Income (loss) before transfers	(60,309)	90,462
Transfers in	100,000	
Change in net position	39,691	90,462
Total net position:		
July 1, 2012	142,907	1,281,358
June 30, 2013	\$ 182,598	\$ 1,371,820

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2013

	Major Funds	
	Food service	Internal service
Cash flows from operating activities:		
Cash received:		
Users	\$ 768,863	
Assessments made to other funds		\$ 5,011,709
Other operating revenue	38,431	
Cash payments:		
Employee benefits, medical insurance		(4,457,687)
Suppliers for goods and services	(920,168)	
Other operating expenses	(21,739)	(349,603)
Salaries	(882,833)	
Net cash provided by (used in) operating activities	(1,017,446)	204,419
Cash flows from noncapital financing activities:		
Transfers from other funds	100,000	
State sources	127,405	
Federal sources	758,011	
Net cash provided by noncapital financing activities	985,416	
Cash flows used in capital and related financing activities, purchase of machinery and equipment	(3,713)	
Cash flows from investing activities:		
Earnings on investments	37	151
Withdrawals or redemptions from investment securities	1,683,222	5,145,631
Purchase of investment securities	(1,647,516)	(5,350,201)
Net cash provided by (used in) investing activities	35,743	(204,419)

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2013

	Major Funds	
	Food service	Internal service
Net change in cash and cash equivalents	\$ -	\$ -
Cash and cash equivalents:		
Beginning of year	-	-
End of year	\$ -	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (1,051,525)	\$ 90,311
Adjustments:		
Depreciation	25,660	
Donated commodities	109,499	
(Increase) decrease in:		
Due from other funds	(100,000)	75,000
Other receivables	(3,410)	11,709
Inventories	(3,499)	
Prepays	(13,727)	
Increase (decrease) in:		
Accounts payable	(2,946)	27,399
Due to other funds	18,548	
Accrued benefits	563	
Unearned revenue	3,391	
Total adjustments	34,079	114,108
Cash provided by (used in) operating activities	\$ (1,017,446)	\$ 204,419

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Student activities</u>	<u>Private purpose trust</u>
Assets:		
Cash and cash equivalents	\$ 14,258	
Investments	<u>136,259</u>	<u>\$ 146,197</u>
Total assets	<u><u>\$ 150,517</u></u>	<u><u>\$ 146,197</u></u>
Liabilities:		
Accounts payable	\$ 7,410	
Due to student groups	<u>143,107</u>	
Total liabilities	150,517	
Net position, held in trust for scholarships	<u>                    </u>	<u>\$ 146,197</u>
Total liabilities and net position	<u><u>\$ 150,517</u></u>	<u><u>\$ 146,197</u></u>

See notes to financial statements.

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Private purpose trust</u>
Additions:	
Gifts and contributions	\$ 300
Earnings and investments	<u>148</u>
Total additions	448
Deductions, scholarships awarded	<u>(1,500)</u>
Change in net position	(1,052)
Net position:	
July 1, 2012	<u>147,249</u>
June 30, 2013	<u><u>\$ 146,197</u></u>

See notes to financial statements.



# CONESTOGA VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

### 1. Summary of significant accounting policies:

Conestoga Valley School District (School District or District), located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in East Lampeter, Upper Leacock and West Earl Townships. These include regular, advanced academic and vocational education programs and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of four elementary schools, one middle school and one high school serving approximately 4,300 students.

The financial statements of the Conestoga Valley School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

#### *Reporting entity:*

The criteria used by the District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria:

The District is financially accountable for:

1. Organizations that make up its legal entity.
2. Legally separate organizations if District officials appoint a voting majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District as defined below.

**Impose its will** - If the District can significantly influence the programs, projects or activities of or the level of services performed or provided by the organization.

# CONESTOGA VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

### 1. Summary of significant accounting policies (continued):

*Reporting entity (continued):*

**Financial benefit or burden** - If the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

3. Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the District.

Based on the foregoing criteria, no additional entities are included in the accompanying financial statements.

*Basis of presentation, fund accounting and measurement focus:*

#### Basis of presentation

Government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District. As a general rule, the effect of interfund activity has been eliminated 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 expenses of a given function are offset by program revenues. Expenses, which offset program revenues, are those that are clearly identifiable within a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Basis of presentation, fund accounting and measurement focus (continued):*

Basis of presentation (continued)

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

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprising each fund's assets, liabilities, fund equity, revenues and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Governmental funds

Governmental funds are used to account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is upon determination of changes in financial position. The following are the District's governmental fund types:

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

Debt Service Fund - This fund is used to account for the accumulation of resources for and payment of, interest and principal on debt.

Capital Project Funds - This fund is used to account for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund. This fund type includes the Capital Reserve Fund.

# CONESTOGA VALLEY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

### 1. Summary of significant accounting policies (continued):

*Basis of presentation, fund accounting and measurement focus (continued):*

#### Governmental funds (continued)

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are reserved for expenditures for specified purposes. This fund type includes the Athletic Facilities Improvement Fund (Buckskin Consortium) and the Extra Curricular Fund (Market Street Sports), which are reported as part of nonmajor funds.

#### Proprietary funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. Following are the District's proprietary funds:

Enterprise Funds - Enterprise funds are used to account for the District's operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans. The following fund is used to account for those financial activities:

*Food Service Fund* - This fund accounts for the revenues, food purchases and other costs and expenses of providing meals to students during the school year.

Internal Service Fund - This fund is used to account for hospitalization, dental and prescription costs that are services provided to the School District employees as benefits.

#### Fiduciary funds

These are the funds that account for the assets held by the School District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The funds included in this category are:

Private Purpose Trust Funds - These funds are used to account for assets held by the School District in a trustee capacity. These funds account for various scholarship programs for students.

Student Activity Funds - These funds are used to account for assets authorized by Section 511 of the Public School Code of 1949, for school publications and organizations.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Basis of presentation, fund accounting and measurement focus (continued):*

Measurement focus and basis of accounting

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 the 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 revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the statement of activities includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The 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 tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenue 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.

Revenues, exchange and nonexchange transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

Revenues, exchange and nonexchange transactions (continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from exchange and nonexchange transactions must also be available before it can be recognized.

*Cash and cash equivalents:*

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with maturities of three months or less when purchased.

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

*Investments:*

Investments are stated at fair value. Fair value of the investment is equal to cost/principal amounts because those are the values at which the investments can be readily redeemed.

*Restricted investments:*

Certain investments of grant proceeds are classified as restricted investments because their use is restricted by applicable grant agreements. Investments are stated at fair value. Fair value of the investment is equal to cost/principal amounts because those are the values at which the investments can be readily redeemed.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Due from other funds/due to other funds:*

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

*Inventories:*

Inventories in the Food Service Fund consist of government donated commodities, which were valued at estimated fair value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2013 are reported as unearned revenue.

*Capital assets:*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if historical costs are not available for assets purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Land improvements	15
Furniture	10
Vehicles	10
Equipment	5 to 10
Computer software	3
Textbooks	5
Library, workbooks	10

*Deferred outflows/inflows of resources:*

The statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In the fund financial statements, governmental fund types recognize deferred charge on refunding as an expense during the current period.

The statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds' balance sheet.



**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Long-term obligations:*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium and discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond insurance costs, as revenues or expenditures during the current period. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*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, 2013 and has recognized them as expenditures or expenses.

*Compensated absences:*

The School District allows employees to accumulate an unlimited amount of sick leave. Upon retirement or termination, the employee would be paid a certain amount, according to their contract, for these accumulated sick days. Earned vacation time is generally required to be used within one year of accrual.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Early retirement incentive:*

The School District offered full-time employees the opportunity to participate in a one-time early retirement incentive program. Full-time employees were eligible for the program if they elected to retire by June 30, 2012, were at least age 55, had a minimum of 25 years of service in education as calculated by the Public School Employees Retirement System (PSERS) and incurred no additional eligible service under PSERS after retiring. The early retirement incentive program included the following benefits: paid monthly single coverage health insurance premiums for up to 60 consecutive months following the effective date of retirement, or until the end of the month in which the retired employee becomes eligible for alternative healthcare coverage and a one-time retirement bonus of \$10,000. During year ended June 30, 2012, eleven employees elected to retire and a total of \$110,000 was paid under the bonus program. At June 30, 2013, the District's obligation for single coverage health insurance under this program was approximately \$239,000.

*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.

*Fund equity:*

The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement defines fund balance categories to make the nature and extent of the constraints placed on a district's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent because they are in a nonspendable form (i.e. inventory) or legally or contractually required to be maintained intact (i.e. principal of a permanent fund).

Restricted fund balance – amounts limited by external parties or legislations (i.e. grants or donations).

**CONESTOGA VALLEY SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2013

**1. Summary of significant accounting policies (continued):**

*Fund equity (continued):*

Committed fund balance – amounts limited to specific purposes by the District, using its highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned fund balance – amounts that 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. Assigned amounts are reviewed and approved by the Board.

Unassigned fund balance – amounts available for consumption or not restricted in any manner.

*Subsequent events:*

The School District has evaluated subsequent events through October 22, 2013, the date that the financial statements were available to be issued.

**2. Cash, cash equivalents and investments:**

*Custodial credit risk, deposits:*

Custodial credit risk is the risk that, in the event of a counterparty failure, the School District's deposits may not be returned to it. The District's policy requires deposits in savings accounts or time deposits or share accounts of institutions to be insured or covered by approved collateral as provided by law. As of June 30, 2013, \$16,230 of the District's bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,500,000 of the balance was invested in a collateralized certificate of deposit investment pool which invests in insured certificates of deposit.

*Financial statement amounts:*

Government activities	\$ 5,503,544 **
Fiduciary funds, student activities	14,258
	\$ 5,517,802

\*\* Includes \$5,500,000 in certificates of deposit which are cash equivalents

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**2. Cash, cash equivalents and investments (continued):**

*Investments:*

As of June 30, 2013, the District had the following investments and restricted investments:

Investment	Maturity	Fair value	
PA Local Government Investment Trust		\$ 96,912	
PA School District Liquid Asset Fund		8,042,497	*
Certificates of deposit:			
Susquehanna Bank:			
	March 22, 2014	100,005	**
	June 28, 2014	100,044	**
PA School District Liquid Asset Fund:			
	July 12, 2013	494,007	**
	July 22, 2013	492,179	**
	July 25, 2013	245,000	**
	July 26, 2013	245,000	**
	July 29, 2013	737,486	**
	August 28, 2013	1,000,000	**
	November 29, 2013	245,000	**
	December 2, 2013	245,000	**
	January 22, 2014	488,000	**
	January 24, 2014	245,000	**
	January 28, 2014	244,194	**
	January 31, 2014	245,000	**
	February 6, 2014	245,000	**
	June 2, 2014	245,000	**
	June 27, 2014	1,225,000	**
	July 18, 2014	490,000	**
	September 10, 2014	248,140	**
<b>Total</b>		<b>\$ 15,718,464</b>	

\* Includes restricted investments of \$48,930

\*\* Certificates of deposit totaling \$7,579,055 are insured by FDIC

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**2. Cash, cash equivalents, investments (continued):**

*Investments (continued):*

Financial statement amounts:	
Governmental activities, current assets	\$ 15,056,777
Governmental activities, restricted, current assets	48,930
Business-type activities	330,301
Fiduciary funds	<u>282,456</u>
	<u><u>\$ 15,718,464</u></u>

*Interest rate risk and credit risk:*

The District does have a formal investment policy in accordance with the Pennsylvania School Code; however, the policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates and does not limit its investment choices to certain credit ratings. As of June 30, 2013, the District's investments were rated as:

<u>Investment</u>	<u>Standard and Poor's ratings</u>
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm
Susquehanna Bank	Not rated

**3. Real estate taxes:**

Based upon assessments provided by the County, the School District's tax collectors bill and collect property taxes. The School District tax rate for the year ended June 30, 2013 was 14.287 mills (\$14.287 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - December 31	10% penalty period
January 1	Lien date

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**4. Taxes receivable and related accounts - general fund:**

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

	<u>Taxes receivable</u>	<u>Tax revenue recognized</u>	<u>Unearned revenue</u>	<u>Unavailable revenue</u>
Real estate	\$ 760,225	\$ 184,053		\$ 576,172
Earned income taxes	610,573	610,573		
Per capita and emergency management services tax	154,175	43,128	\$ 111,047	
Transfer tax	46,679	46,679		
Amusement tax	70,948	70,948		
	<u>\$ 1,642,600</u>	<u>\$ 955,381</u>	<u>\$ 111,047</u>	<u>\$ 576,172</u>

**5. Due from/to other funds and transfers:**

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

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 482,949	\$ 2,301,837
Debt service	433,973	
Enterprise fund	100,000	473,653
Athletic facilities reserve fund	175	685
Capital reserve fund	1,767,689	8,611
Total	<u>\$ 2,784,786</u>	<u>\$ 2,784,786</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**5. Due from/to other funds and transfers (continued):**

The general fund due to other funds pertains to \$100,000 transferred to the cafeteria fund for operational support, \$1,767,689 transferred to the capital reserve fund for future capital asset purchases, \$433,973 for debt service principal and interest payments and \$175 for participation fees in the athletic facilities fund. The enterprise fund due to other funds pertains to payroll and benefits paid for by the general fund. There was \$8,611 of expenses for science room repairs paid by the general fund which belong to the capital reserve funds.

Interfund transfers in the governmental funds for the year ended June 30, 2013 are as follows:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
Major funds:		
General fund	\$ 7,321,784	
Capital reserve		\$ 1,767,689
Debt service fund		5,454,095
Enterprise fund		100,000
	<u>\$ 7,321,784</u>	<u>\$ 7,321,784</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**6. Due from other governments:**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2013, the following amounts are due from other governmental units:

	General fund	Food service fund
Federal programs	\$ 378,934	\$ 12,502
State programs/grants:		
School lunch		788
School breakfast		146
State subsidies:		
Social Security	157,750	
Retirement	563,290	
Bully Grant	4,420	
Migrant Education Program	80	
Local:		
IDEIA, Part B	508,342	
Special Education	1,619	
Transportation/other	19,731	
	\$ 1,634,166	\$ 13,436

**7. Unearned revenue:**

Unearned revenue at June 30, 2013 consists of the following:

General fund, unearned revenue:	
Per capita and emergency management service tax, Note 4	\$ 111,047
Other	22,440
	\$ 133,487
Food service fund, commodities inventory	\$ 17,470



**CONESTOGA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2013**

**8. Fund balances:**

As of June 30, 2013, fund balances are composed of the following:

	<u>General fund</u>	<u>Capital Project Funds Capital reserve fund</u>	<u>Debt service</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Nonspendable, prepaid amounts	\$ 199,425				\$ 199,425
Restricted:					
Debt service			\$ 423,734		423,734
Capital projects		\$ 3,206,209			3,206,209
Committed, future pension obligation	7,413,314				7,413,314
Assigned:					
Athletic facilities, Buckskin Consortium				\$ 18,502	18,502
Extra curricular, Market Street Sports				126,681	126,681
Athletic fund	63,168				63,168
Assessment appeals	1,850,000				1,850,000
Land condemnation	250,000				250,000
Unassigned	<u>3,773,327</u>				<u>3,773,327</u>
Total fund balances	<u>\$ 13,549,234</u>	<u>\$ 3,206,209</u>	<u>\$ 423,734</u>	<u>\$ 145,183</u>	<u>\$ 17,324,360</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**9. Capital assets:**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated, land	<u>\$ 1,919,203</u>			<u>\$ 1,919,203</u>
Capital assets being depreciated:				
Site improvements	2,525,564			2,525,564
Buildings and building improvements	87,565,409	\$ 3,220		87,568,629
Furniture and equipment	<u>7,014,983</u>	<u>917,964</u>	<u>\$ 805,101</u>	<u>7,127,846</u>
Total assets being depreciated	<u>97,105,956</u>	<u>921,184</u>	<u>805,101</u>	<u>97,222,039</u>
Less accumulated depreciation for:				
Site improvements	2,007,195	166,148		2,173,343
Building and building improvements	33,688,319	1,857,869		35,546,188
Furniture and equipment	<u>4,522,680</u>	<u>689,431</u>	<u>734,152</u>	<u>4,477,959</u>
Total accumulated depreciation	<u>40,218,194</u>	<u>2,713,448</u>	<u>734,152</u>	<u>42,197,490</u>
Total capital assets being depreciated, net	<u>56,887,762</u>	<u>(1,792,264)</u>	<u>70,949</u>	<u>55,024,549</u>
Construction in progress	<u>9,469</u>	<u>145,368</u>		<u>154,837</u>
Governmental activities, capital assets, net	<u>\$ 58,816,434</u>	<u>\$ (1,646,896)</u>	<u>\$ 70,949</u>	<u>\$ 57,098,589</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**9. Capital assets (continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets being depreciated, equipment	\$ 1,037,556	\$ 3,713	\$ 7,653	\$ 1,033,616
Less accumulated depreciation for equipment	<u>834,844</u>	<u>25,660</u>	<u>7,653</u>	<u>852,851</u>
Business-type activities, capital assets, net	<u>\$ 202,712</u>	<u>\$ (21,947)</u>	<u>\$ -</u>	<u>\$ 180,765</u>

For governmental activities, depreciation expense was charged to functions of the government as follows:

	<u>Instruction</u>	<u>Support services</u>	<u>Total</u>
Regular instruction	\$ 2,477,489		\$ 2,477,489
Special instruction	2,197		2,197
Pupil personnel		\$ 923	923
Instructional staff		3,940	3,940
Administration		4,861	4,861
Pupil health		210	210
Operation of plant and maintenance		157,219	157,219
Central services		15,679	15,679
Student activities		50,930	50,930
	<u>\$ 2,479,686</u>	<u>\$ 233,762</u>	<u>\$ 2,713,448</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**10. Long-term debt:**

Summary of general obligation bonds and notes (secured by the full faith and credit of the District) as of June 30, 2013:

Year	Amount	Interest rates	Maturity date	Annual principal installments ranging from
2004 bonds	\$ 6,300,000	3.60% - 5.25%	2018	\$330,000 - \$1,800,000
2004 (General Obligation Note)	373,387	4.11%	2015	\$250,000 per year
2008 (General Obligation Note)	700,003	3.77% - 6.00%	2023	\$33,343 - \$66,666
2012 bonds	<u>23,185,000</u>	1.50%	2020	\$2,300,000 - \$5,015,000
	<u>\$ 30,558,390</u>			

The following is a summary of debt transactions of the District for the year ended June 30, 2013:

Bonds and notes payable at July 1, 2012	\$ 35,230,056
Principal paid:	
Series of 2004	(1,580,000)
Series of 2004 (Note)	(250,000)
Series of 2008 (Note)	(66,666)
Series of 2012	<u>(2,775,000)</u>
Bonds and notes payable at June 30, 2013	30,558,390
Original issue premium	<u>1,728,503</u>
Total long-term debt	32,286,893
Less current portion	<u>4,471,666</u>
	<u>\$ 27,815,227</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**10. Long-term debt (continued):**

The debt service requirements of the general obligation bonds and notes are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,471,666	\$ 1,041,093	\$ 5,512,759
2015	4,435,053	935,798	5,370,851
2016	4,471,666	768,205	5,239,871
2017	4,671,666	608,143	5,279,809
2018	4,826,666	446,878	5,273,544
2019 - 2023	7,648,330	367,421	8,015,751
2024	33,343	982	34,325
	<u>\$ 30,558,390</u>	<u>\$ 4,168,520</u>	<u>\$ 34,726,910</u>

Expenditures for interest on long-term debt for the year ended June 30, 2013 were \$883,087 and were primarily provided from general fund transfers.

**11. Capital leases:**

In July 2012, the School District entered into a capital lease agreement to purchase computer equipment with a total purchase price of \$175,320. The principal balance will be amortized over a term of 36 months at an effective annual interest rate of 2.46%. Three annual payments of principal and interest of \$60,435 are payable during the month of November each year.

In July 2012, the School District entered into a capital lease agreement to purchase computer equipment with a total purchase price of \$248,370. The principal balance will be amortized over a term of 48 months at an effective annual interest rate of 2.38%. Four annual payments of principal and interest of \$64,899 are payable during the month of November each year.

The equipment is accounted for in the governmental activities capital assets and the related lease payable is recorded in the governmental activities long-term capital lease obligations.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**11. Capital leases (continued):**

The following is a schedule of future minimum lease payments under the capital lease arrangement:

Fiscal year ending June 30,	Computer lease 1		Computer lease 2		Total
	Principal	Interest	Principal	Interest	
2014	\$ 57,537	\$ 2,897	\$ 60,432	\$ 4,467	\$ 125,333
2015	58,968	1,466	61,886	3,013	125,333
2016			63,374	1,525	64,899
	<u>\$ 116,505</u>	<u>\$ 4,363</u>	<u>\$ 185,692</u>	<u>\$ 9,005</u>	<u>\$ 315,565</u>

**12. Defined benefit pension plan:**

*Plan description:*

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability and death benefits, legislatively mandated ad hoc cost-of-living adjustments and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to Beth Girman, Office of Financial Management, PSERS, 5 North 5<sup>th</sup> Street, Harrisburg, PA 17101-1905. This publication is also available on the PSERS website which may be found at [www.psers.state.pa.us/publications/cafr/index.htm](http://www.psers.state.pa.us/publications/cafr/index.htm).

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**12. Defined benefit pension plan (continued):**

*Funding policy:*

The contribution policy is set by the Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the PSERS after June 30, 2001 until 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 in this time period, 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 rates of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%. The contributions required of participating employers are based on an actuarial valuation. For the fiscal year ended June 30, 2013, the rate of employer contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.5% for pension benefits and .86% for healthcare insurance premium assistance. The School District is required to pay the entire employer contribution rate and is 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 employer rate. Conestoga Valley School District's contributions to PSERS for the years ended June 30, 2013, 2012 and 2011 were \$3,095,467, \$2,135,827 and \$1,268,717, respectively. Those amounts are equal to the required contribution for each year.

**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**13. Other postemployment benefits:**

*Plan description:*

The District offers retirement dental and health insurance benefits to employees upon their retirement with the same plan provisions provided to active employees. Teachers and support staff with at least 25 years of PSERS service who are less than 65 years of age are eligible to participate. Insurance coverage is provided for the retiree, spouse and family until the retiree reaches the age of 65 or if the retiree becomes eligible for other coverage. The retiree is required to pay the full premium for coverage for himself or herself and for his or her spouse and family, if elected.

Teachers and support staff who retired under the District's early retirement incentive program during year ended June 30, 2012, were eligible for the same plan provisions provided to active employees. Insurance coverage is provided for the retiree, spouse and family for up to five years or until the retiree reaches the age of 65. Teachers and support staff must pay \$100 per month for health insurance benefits and the cost differential for the spouse and or family that are covered for up to five years or until the retiree reaches age 65. Teachers and support staff must pay 100% of the premium for dental coverage. After five years, unless the retiree reaches age 65, the retiree must pay 100% of the premium for health insurance benefits and dental coverage.

Administrators are eligible for retirement dental and health insurance benefits upon retirement with the same plan provisions provided to active employees. Administrators are eligible to participate if they have between 25 and 35 years of PSERS service and have at least 20 years of District service with at least ten years as an administrator. Insurance coverage is provided for the retiree, spouse and family until the retiree reaches the age of 65 or if the retiree becomes eligible for other coverage. The administrator must pay \$100 per month for health insurance benefits and must pay the full premium for his or her spouse and family. The administrator must pay 100% of the premium for dental coverage.

The plan does not issue a publicly available financial report. As of July 1, 2012, there were 441 active participants and 41 retired participants.

*Funding policy:*

The District currently follows a pay-as-you-go funding approach, paying an amount each year equal to the benefits claimed in that year.



**CONESTOGA VALLEY SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2013

**13. Other postemployment benefits (continued):**

*Annual OPEB cost and net OPEB obligation:*

The District's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount contributed to the plan and changes in the District's OPEB obligation to the plan.

Normal cost as of July 1, 2012	\$ 151,251
Interest on net OPEB obligation	<u>6,806</u>
 Total normal cost	 158,057
 30-year amortization of unfunded actuarial accrued liability	 <u>144,442</u>
 Annual required contribution	 <u><u>\$ 302,499</u></u>
 Annual OPEB cost	 \$ 302,499
Interest on net obligation	16,755
Adjustment made to annual required contribution	(22,858)
Estimated contributions made	<u>(197,284)</u>
 Increase in net OPEB obligation	 99,112
 Net OPEB liability:	
Beginning of year	<u>372,335</u>
 End of year	 <u><u>\$ 471,447</u></u>

**CONESTOGA VALLEY SCHOOL DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2013

**13. Other postemployment benefits (continued):**

*Trend information:*

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Employer contributions</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
6/30/2012	\$ 302,499	\$ 221,753	73.31%	\$ 471,447
6/30/2010	317,381	232,303	73.19%	266,266
6/30/2008	630,841	545,645	86.49%	184,180

*Funding status and funding progress:*

The funded status of the plan was as follows:

Actuarial valuation date	<u>July 1, 2012</u>	<u>July 1, 2010</u>	<u>July 1, 2008</u>
Unfunded actuarial accrued liability	<u>\$ 2,352,795</u>	<u>\$ 2,298,730</u>	<u>\$ 2,634,421</u>
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	\$ 23,226,433	\$ 22,690,915	\$ 19,965,953
Unfunded actuarial accrued liability as a percentage of covered payroll	10.13%	10.13%	13.19%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts 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 to past expectations and new estimates are made about the future.

*Actuarial methods and assumptions:*

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 the valuation.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**13. Other postemployment benefits (continued):**

*Actuarial methods and assumptions (continued):*

The latest actuarial valuation was completed July 1, 2012, and the entry age normal cost method was used. An assumption for salary increases was used only for spreading contributions over future pay under this cost method. For this purpose, salary increases were composed of a 3% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increase which varied by age from 3% to .25%. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age.

Claims costs for medical and prescription drugs are based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. Dental costs are assumed to equal the premium charged for coverage. Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate, which was 7.0% in 2012, decreasing .5% per year to 5.5% in 2016.

Other actuarial assumptions include the following: a 4.5% interest rate, retirement rates based on PSERS plan experience and mortality rates as assumed in the PSERS defined benefit pension plan actuarial valuation.

**14. Joint ventures:**

*Lancaster County Career and Technical Center (LCCTC):*

The District is one of 16 member school districts of the Lancaster County Career and Technical Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member districts. LCCTC is controlled and governed by the Career and Technical Board for Lancaster County that is composed of school board members of all the member districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the District's reporting entity. The District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The District's financial obligation to LCCTC for the year ended June 30, 2013 was \$742,267, which has been reported in the District's General Fund. Financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**14. Joint ventures (continued):**

*Lancaster County Career and Technical Center (LCCTC) (continued):*

The District entered into a lease agreement with the Lancaster County Career and Technology Center Authority (Authority) along with 15 other school districts. The Lancaster County Career and Technology Center Authority is an authority created under the Pennsylvania Municipality Authorities Act and is empowered to acquire, hold, construct, improve, maintain, operate and lease public school buildings and other school projects for public school purposes. By resolution, the member districts have requested the Authority to proceed with improvement of the school facilities of the Lancaster County Career Technical Center (LCCTC) to be funded by lease revenue bonds not to exceed the maximum aggregate principal amount of \$43,000,000. The bonds are designated Lancaster County Career and Technology Center Authority Guaranteed Lease Revenue Bonds. The bonds are intended to be issued in one or more series over a three-year period. Each district will pay its proportionate share of the lease rentals in order to fund the debt.

On June 29, 2012, the Authority issued Guaranteed Lease Revenue Bonds Series of 2012 in the amount of \$9,995,000. Payments are required over the period February 2013 until February 2037 with interest payable semi-annually. The average bond yield is 3.50%. The balance of the District's share of this obligation at June 30, 2013 was \$1,118,641. The previous agreement of lease dated October 7, 1998 is hereby terminated and shall be null and void and of no effect.

On September 20, 2013, the Authority completed issuance of Guaranteed Lease Revenue Bonds, Series of 2013, in the amount of \$9,995,000. Payments are required over the period February 2014 until February 2037 with interest payable semi-annually. The average bond yield is 4.55%. The District's share of this obligation is \$1,363,339. It is anticipated that additional lease rental bonds will be issued in 2014 in order to complete the project.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**14. Joint ventures (continued):**

*Lancaster County Career and Technical Center (LCCTC) (continued):*

Minimum future rental payments under both operating leases for the District are as follows:

Fiscal year ending June 30,	Guaranteed Lease Revenue Bonds		Total
	Series of 2012	Series of 2013	
2014	\$ 46,628	\$ 65,915	\$ 112,543
2015	46,413	46,368	92,781
2016	46,588	46,246	92,834
2017	46,737	46,913	93,650
2018	46,434	58,117	104,551
2019-2023	232,966	289,590	522,556
2024-2028	233,302	289,296	522,598
2029-2033	232,790	289,243	522,033
2034-2037	186,783	231,651	418,434
Total minimum future rental payments	<u>\$ 1,118,641</u>	<u>\$ 1,363,339</u>	<u>\$ 2,481,980</u>

*Lancaster-Lebanon Joint Authority:*

The District is a member in the Lancaster-Lebanon Joint Authority (Joint Authority). The Joint Authority was incorporated on February 14, 1980 under the Municipality Authorities Act of 1945, P.L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Joint Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Joint Authority is not reported as part of the District's reporting entity. The School District did not have any financial transactions with the Joint Authority during the year ended June 30, 2013. Financial statements for the Joint Authority can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

## **CONESTOGA VALLEY SCHOOL DISTRICT**

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

#### **14. Joint ventures (continued):**

##### *Lancaster-Lebanon Intermediate Unit (LLIU):*

The Lancaster-Lebanon Intermediate Unit (LLIU) Board of Directors consists of 20 members from the LLIU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member districts' Boards of Directors. Conestoga Valley School District is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Conestoga Valley School District contracts with the LLIU for special education services for District students. The amount paid for these services in the year ended June 30, 2013 was approximately \$2,361,708. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

##### *Lancaster County Academy (Academy):*

The Academy is an alternative public school organized by ten public school districts in Lancaster County to provide services in the county. Each of the public school districts appoints one member to serve on the joint operating committee. As a member district, the School District has an ongoing financial responsibility to fund the operations of the Academy. The amount paid to the Academy in the year ended June 30, 2013 was \$32,000. Complete financial information for the Academy can be obtained from the Administrative Office at 1202 Park City Center, Lancaster, PA 17601.

##### *Lancaster County Tax Collection Bureau (Bureau):*

The School District participates with all Lancaster County school districts and associated municipalities as prescribed by Act 32 for the collection of earned income taxes and local service tax (LST). The joint operating committee is comprised of representatives from the 17 member school districts and 16 municipal representatives. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The School District's portion of the operating expenditures for the year ended June 30, 2013 was \$75,136. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

No member school district exercises specific control over the fiscal policies or operations of these joint ventures. As a result, these entities are not reported as part of the School District's reporting entity.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**15. Risk management:**

*Property and liability:*

The District joined together with other school districts in the area to form the Lancaster-Lebanon Public Schools Insurance Pool (the Pool), a public entity risk pool currently operating as a common risk management and insurance program for member school districts, the Lancaster-Lebanon Intermediate Unit, the Lancaster County Academy and the Lancaster County Career and Technical Center. The agreement of the Pool states that the District pays an annual premium to the Pool for the purpose of seeking the prevention or lessening of casualty losses to member properties and injuries to persons or property which might result in claims being made against members and pooling the insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the members of the Pool that the Pool will utilize funds contributed by the members to provide self-insurance and reimbursement to the members for certain losses and to defend and protect each member of the Pool, in accordance with the agreement, against certain liabilities and losses.

Beginning July 1, 1999, the Pool purchased property and liability insurance to cover all claims of the member districts.

As of June 30, 2013, the District is not aware of any additional assessments relating to the Pool.

*Hospitalization:*

The District is considered to be a self-insured preferred provider organization. Health claims are administered by a third-party provider. For medical claims, the School District was limited in liability to \$150,000 per individual claim and \$5,148,556 in total. A liability for claims incurred prior to June 30, 2013 and paid subsequently is recorded in the amount of \$278,848 in accounts payable in the internal service fund.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**15. Risk management (continued):**

*Workers' compensation:*

The School District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund (the Fund) which is a cooperative voluntary trust arrangement for 17 member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims and losses and providing self-insurance and reinsurance thereof. It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Worker's Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance.

As of June 30, 2013, the District is not aware of any additional assessments relating to the Fund.

*Unemployment:*

The School District has elected to self-insure for unemployment compensation rather than contribute to the state fund. Transactions relating to this plan are reflected in the general fund.

As of June 30, 2013, the District is not aware of any unemployment compensation claims.

**16. Commitments:**

Effective July 1, 2005, the District entered into an agreement with Brightbill Transportation, Inc. (Brightbill) for the transportation of students residing within the District. The District agreed to pay Brightbill \$31,676 per bus run plus adjustments for the first year, with pricing for subsequent years to increase by the Pennsylvania Department of Education transportation cost index or the state reimbursement formula, whichever is greater. This agreement expires on June 30, 2015. Current year expenditures amounted to approximately \$1,511,000.



**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

**17. Change in accounting principle:**

Effective July 1, 2012, the District adopted Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, to be in conformity with generally accepted accounting principles. The statements implemented Concepts Statement 4 defining the five elements of the statement of financial position as: assets, deferred outflows or resources, liabilities, deferred inflows of resources, and net position. The statements also reclassified certain existing assets and liabilities to the new categories including reclassifications to outflows of resources resulting in a restatement of the District's beginning net position for the governmental activities of \$80,490. This amount represents bond issue costs, net of amortization as of June 30, 2012 that no longer meets the definition of an asset.

Net position, as originally stated, June 30, 2012	\$ 38,174,789
Prior period adjustment	<u>(80,490)</u>
Net position, as restated, June 30, 2012	<u>\$ 38,094,299</u>

**18. New pension accounting pronouncement:**

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, revises and establishes new financial reporting requirements for the District concerning pension benefits provided for employees. The standard will improve the way the District reports its pension liabilities and expenses. This statement will be effective for years beginning after June 15, 2014. The District is still evaluating the potential effects of this pronouncement on its financial statements. For employers participating in PSERS, there is a significant liability that is expected to be recorded to the government-wide financial statements under this pronouncement that will be allocated to the participating employers of the governmental cost-sharing multiple-employer defined benefit pension plan.

**CONESTOGA VALLEY SCHOOL DISTRICT**

OTHER POSTEMPLOYMENT BENEFITS, SCHEDULE OF FUNDING PROGRESS  
(Required supplementary information)  
(unaudited)

YEAR ENDED JUNE 30, 2013

	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 )
Teachers	7/1/2012	\$ -	\$ 1,620,598	\$ 1,620,598	0.00%	\$ 18,030,182	8.99%
Support staff	7/1/2012	-	229,577	229,577	0.00%	2,918,200	7.87%
Administration	7/1/2012	-	<u>502,620</u>	<u>502,620</u>	<u>0.00%</u>	<u>2,278,051</u>	<u>22.06%</u>
Total	7/1/2012	-	<u>\$ 2,352,795</u>	<u>\$ 2,352,795</u>	<u>0.00%</u>	<u>\$ 23,226,433</u>	<u>10.13%</u>
Teachers	7/1/2010	\$ -	\$ 1,548,523	\$ 1,548,523	0.00%	\$ 17,510,812	8.84%
Support staff	7/1/2010	-	228,755	228,755	0.00%	2,826,734	8.09%
Administration	7/1/2010	-	<u>521,452</u>	<u>521,452</u>	<u>0.00%</u>	<u>2,353,369</u>	<u>22.16%</u>
Total	7/1/2010	-	<u>\$ 2,298,730</u>	<u>\$ 2,298,730</u>	<u>0.00%</u>	<u>\$ 22,690,915</u>	<u>10.13%</u>
Teachers	7/1/2008	\$ -	\$ 1,892,530	\$ 1,892,530	0.00%	\$ 15,291,013	12.38%
Support staff	7/1/2008	-	258,027	258,027	0.00%	2,396,778	10.77%
Administration	7/1/2008	-	<u>483,864</u>	<u>483,864</u>	<u>0.00%</u>	<u>2,278,162</u>	<u>21.24%</u>
Total	7/1/2008	-	<u>\$ 2,634,421</u>	<u>\$ 2,634,421</u>	<u>0.00%</u>	<u>\$ 19,965,953</u>	<u>13.19%</u>

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL – GENERAL FUND  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED JUNE 30, 2013

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local sources:				
Real estate taxes and penalties	\$ 37,099,252	\$ 37,099,252	\$ 37,546,228	\$ 446,976
Other taxes and penalties	4,385,894	4,385,894	5,350,497	964,603
Investment income	125,000	125,000	168,608	43,608
Rent	60,000	60,000	86,064	26,064
Revenues from intermediate sources	699,675	699,675	757,515	57,840
Tuition	55,653	55,653	38,551	(17,102)
Other revenue	320,460	320,460	501,313	180,853
Revenues from student activities	93,000	93,000	84,537	(8,463)
Total local sources	42,838,934	42,838,934	44,533,313	1,694,379
State sources	9,362,886	9,362,886	9,246,566	(116,320)
Federal sources	2,057,800	2,057,800	2,034,839	(22,961)
Total revenues	54,259,620	54,259,620	55,814,718	1,555,098
Expenditures:				
Instruction:				
Regular programs	24,730,552	24,406,555	24,320,317	86,238
Special programs	6,385,420	6,215,835	6,143,678	72,157
Vocational programs	895,556	830,391	807,540	22,851
Other instructional programs	182,811	147,061	131,329	15,732
	32,194,339	31,599,842	31,402,864	196,978

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED JUNE 30, 2013

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Expenditures (continued):				
Support services:				
Pupil personnel services	\$ 1,927,442	\$ 1,931,615	\$ 1,877,129	\$ 54,486
Instructional staff services	2,224,792	2,172,982	2,093,833	79,149
Administrative services	2,419,153	2,420,165	2,363,279	56,886
Pupil health	479,499	479,499	455,042	24,457
Business services	477,283	457,083	447,567	9,516
Operation and maintenance of plant services	4,738,268	4,275,268	4,225,533	49,735
Student transportation services	2,285,279	2,152,029	2,139,684	12,345
Central and other support services	893,240	848,303	823,141	25,162
	<u>15,444,956</u>	<u>14,736,944</u>	<u>14,425,208</u>	<u>311,736</u>
Operation of noninstructional services:				
Student activities	1,026,261	1,010,569	983,631	26,938
Community services	19,650	17,800	15,253	2,547
	<u>1,045,911</u>	<u>1,028,369</u>	<u>998,884</u>	<u>29,485</u>
Refund of prior year's revenue and miscellaneous	<u>2,192</u>	<u>559</u>	<u>548</u>	<u>11</u>
Debt service	<u>235,246</u>	<u>113,929</u>	<u>113,133</u>	<u>796</u>
Total expenditures	<u>48,922,644</u>	<u>47,479,643</u>	<u>46,940,637</u>	<u>539,006</u>
Excess of revenues over expenditures	<u>5,336,976</u>	<u>6,779,977</u>	<u>8,874,081</u>	<u>2,094,104</u>

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)  
 (Required supplementary information)  
 (unaudited)

YEAR ENDED JUNE 30, 2013

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Other financing uses:				
Interfund operating transfers	\$ 5,771,838	\$ 7,464,839	\$ 7,458,728	\$ 6,111
Budgetary reserve	250,000			-
Total other financing uses	<u>6,021,838</u>	<u>7,464,839</u>	<u>7,458,728</u>	<u>6,111</u>
Net change in fund balances	(684,862)	(684,862)	1,415,353	2,100,215
Fund balances:				
July 1, 2012	<u>4,856,581</u>	<u>4,856,581</u>	<u>12,070,713</u>	<u>7,214,132</u>
June 30, 2013	<u>\$ 4,171,719</u>	<u>\$ 4,171,719</u>	<u>\$ 13,486,066</u>	<u>\$ 9,314,347</u>

## **CONESTOGA VALLEY SCHOOL DISTRICT**

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

#### **Conestoga Valley School District follows the following procedures in establishing the budgetary data:**

1. Prior to May 31, management submits to the School 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.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the procedures require the budget to be legally enacted.
4. Legal budgetary control is maintained by the School Board at the departmental 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 is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. 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 the fund balance in a like amount. There were no outstanding encumbrances at June 30, 2013.
7. The budget for the General Fund is adopted on the modified accrual basis of accounting, except that a budgetary reserve is provided.

**CONESTOGA VALLEY SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

YEAR ENDED JUNE 30, 2013

**Explanation of General Fund differences between generally accepted accounting principles basis and budgetary basis:**

	<u>General fund</u>
Revenues:	
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 55,814,718
Reclassifications, athletic fund revenue not included in general fund budgetary approval	<u>8,222</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 55,822,940</u></u>
Expenditures:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 46,940,637
Reclassifications, athletic fund expenditures not included in general fund budgetary approval	<u>154,817</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 47,095,454</u></u>

Eliminations in the financial statement presentation include a \$136,944 transfer from the general fund to the athletic fund.

**CONESTOGA VALLEY SCHOOL DISTRICT**

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Special Revenue Funds		
	Athletic facilities improvement	Extra curricular fund	Total nonmajor funds
ASSETS			
Assets:			
Investments	\$ 15,003	\$ 120,791	\$ 135,794
Due from other funds	175		175
Other receivables, net	5,460	5,890	11,350
Total assets	\$ 20,638	\$ 126,681	\$ 147,319
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,451		\$ 1,451
Due to other funds	685		685
Total liabilities	2,136		2,136
Fund balance:			
Restricted			
Assigned	18,502	\$ 126,681	145,183
Total fund balances	18,502	126,681	145,183
Total liabilities and fund balances	\$ 20,638	\$ 126,681	\$ 147,319



**CONESTOGA VALLEY SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – ALL NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	Special Revenue Funds		
	Athletic facilities improvement	Extra curricular fund	Total nonmajor funds
Revenues and other financing sources:			
Revenues, local sources	\$ 73,625	\$ 28,071	\$ 101,696
Investment income	5	11	16
Total revenues and other financing sources	73,630	28,082	101,712
Expenditures, operation of noninstructional services	147,468		147,468
Net changes in fund balances	(73,838)	28,082	(45,756)
Fund balances:			
July 1, 2012	92,340	98,599	190,939
June 30, 2013	\$ 18,502	\$ 126,681	\$ 145,183

# CONESTOGA VALLEY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2013

Federal grantor/ pass-through grantor/program title	Source code	Federal CFDA number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at June 30, 2012	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2013
<u>U.S. Department of Agriculture:</u>										
Passed through the Pennsylvania Department of Education:										
<b>Child Nutrition Cluster</b>										
National School Lunch Program***:	I/F	10.555	N/A	07/01/12-6/30/13	N/A	\$ 605,889		\$ 615,318	\$ 615,318	\$ 9,429
	I/F	10.555	N/A	07/01/11-6/30/12	N/A	11,900	\$ 12,750			850
School Breakfast Program***:	I/F	10.553	N/A	07/01/12-6/30/13	N/A	137,386		139,609	139,609	2,223
	I/F	10.553	N/A	07/01/11-6/30/12	N/A	<u>2,836</u>	<u>2,836</u>			
Total passed through the Pennsylvania Department of Education						758,011	15,586	754,927	754,927	12,502
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program, donated commodities ***	I/F	10.555	N/A	07/01/12-6/30/13	N/A	<u>112,891</u> (b)	<u>(14,079)</u> (a)	<u>109,500</u> (c)	<u>109,500</u>	<u>(17,470)</u> (d)
Total U.S. Department of Agriculture						<u>870,902</u>	<u>1,507</u>	<u>864,427</u>	<u>864,427</u>	<u>(4,968)</u>
<u>U.S. Department of Education:</u>										
Passed through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies:										
	I/F	84.010	013-110096	07/01/10-09/30/12	\$ 849,537		(20,915)	20,915	20,915	
	I/F	84.010	013-120096	07/01/11-09/30/12	750,431	139,878	138,061	1,817	1,817	
	I/F	84.010	013-130096	07/01/12-09/30/13	1,183,181	801,948		939,786	939,786	137,838
Improving Teacher Quality:	I/F	84.367	020-120096	07/01/11-09/30/12	182,164	35,896	35,896			
	I/F	84.367	020-130096	07/01/12-09/30/13	186,989	149,928		186,989	186,989	37,061
Language Inst/LEP Immigrant Students:	I/F	84.365	010-120096	07/01/11-09/30/12	65,691	10,670	8,300	2,370	2,370	
	I/F	84.365	010-130096	07/01/12-09/30/13	50,515	47,147		48,630	48,630	1,483

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2013**

Federal grantor/ pass-through grantor/program title	Source code	Federal CFDA number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at June 30, 2012	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2013
<u>U.S. Department of Education (continued):</u>										
Passed through the Pennsylvania Department of Education (continued):										
Inclusive Practice Mini-grant:	I/F	84.027	062-12-0-032	07/01/11-06/30/12	\$ 5,000	\$ 4,786	\$ 4,786			
	I/F	84.027	062-13-0-032	07/01/12-06/30/13	4,998	4,227		\$ 4,227	\$ 4,227	
ARRA - Education Jobs Fund	I/F	84.410	140-120096-790	07/05/12-09/30/12	3,392	3,392	3,232	160	160	
Keystone to Opportunities Grant ***	I/F	84.371C	KTO-143-120096	04/05/12-09/30/13	985,891	<u>657,261</u>	<u>32,705</u>	<u>821,812</u>	<u>821,812</u>	\$ 197,256
Total passed through the Pennsylvania Department of Education						<u>1,855,133</u>	<u>202,065</u>	<u>2,026,706</u>	<u>2,026,706</u>	<u>373,638</u>
Passed through the Lancaster-Lebanon Intermediate Unit:										
Special Education - Grants to States:										
IDEA, Part B	I/F	84.027	062-12-0-013	07/01/11-09/30/12	633,024	512,775	512,775			
IDEA, Part B	I/F	84.027	062-12-0-013	07/01/12-06/30/13	624,412	116,070		624,412	624,412	508,342
IDEA-Section 619	I/F	84.173	131-12-013	07/01/12-06/30/13	3,657			<u>3,657</u>	<u>3,657</u>	<u>3,657</u>
Total passed through the Lancaster-Lebanon Intermediate Unit						<u>628,845</u>	<u>512,775</u>	<u>628,069</u>	<u>628,069</u>	<u>511,999</u>
Total U.S. Department of Education						<u>2,483,978</u>	<u>714,840</u>	<u>2,654,775</u>	<u>2,654,775</u>	<u>885,637</u>
<u>U.S. Department of Health and Human Services:</u>										
Passed through the Pennsylvania Department of Welfare, ACCESS	I/F	93.778	N/A	07/01/12-06/30/13	1,741	671		1,741	1,741	1,070
Total expenditures of federal awards						<u>\$ 3,355,551</u>	<u>\$ 716,347</u>	<u>\$ 3,520,943</u>	<u>\$ 3,520,943</u>	<u>\$ 881,739</u>

(continued)

# CONESTOGA VALLEY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2013

<u>Source codes:</u>		Calculation of 25% rule (25% for low-risk auditee):	
I = Indirect funding		Total expenditures per above	<u>\$ 3,520,943</u>
F = Federal share			
CFDA = Catalog of Federal Domestic Assistance			
*** = Denotes major program			
		Child Nutrition Cluster:	
	10.555	National School Lunch Program	\$ 724,818
	10.553	School Breakfast Program	139,609
	84.371C	Keystone to Opportunities	<u>821,812</u>
			<u>\$ 1,686,239</u>
			<u>\$ 1,686,239</u>
			\$ 3,520,943 = <u>47.9%</u> Programs meet the 25% requirement

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 Significant accounting policies

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

Note 2 Food distribution

- a. Beginning inventory at July 1
- b. Total amount of commodities received from the Department of Agriculture
- c. Total amount of commodities used
- d. Ending inventory at June 30



Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements  
Performed in Accordance with  
Government Auditing Standards

Board Officers and Members  
Conestoga Valley School District  
Lancaster County, 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 Conestoga Valley School District as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 22, 2013.

### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Brown Schultz Steidman & Fritz*

Lancaster, Pennsylvania  
October 22, 2013



Independent Auditors' Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance Required by  
OMB Circular A-133

Board Officers and Members  
Conestoga Valley School District  
Lancaster County, Pennsylvania

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

We have audited Conestoga Valley School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Conestoga Valley School District's major federal programs for the year ended June 30, 2013. Conestoga Valley School District's major federal programs are identified in the summary of auditors' 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Conestoga Valley 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 Conestoga Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in 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 Conestoga Valley School District's compliance.

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

In our opinion, Conestoga Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of Conestoga Valley 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 Conestoga Valley 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 programs 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 Conestoga Valley 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

## **Purpose of this Report**

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.

*Brown Schultz Steindler & Fritz*

Lancaster, Pennsylvania  
October 22, 2013



**CONESTOGA VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

I. SUMMARY OF AUDITORS' RESULTS:

*Financial statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiency(ies) identified that are not considered to be 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 material weakness(es)?  yes  none reported

Type of auditors' report issued on compliance for 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

(continued)

**CONESTOGA VALLEY SCHOOL DISTRICT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

I. SUMMARY OF AUDITORS' RESULTS (CONTINUED):

Identification of major program:

CFDA numbers

Name of federal program or cluster

10.555

Child Nutrition Cluster:

10.553

National School Lunch

School Breakfast program

84.371C

Keystone to Opportunities

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

\$ 300,000

Auditee qualified as low-risk auditee?

X yes    \_\_\_ no

II. FINANCIAL STATEMENT FINDINGS:

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None

**CONESTOGA VALLEY SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013

There were no prior year OMB Circular A-133 audit findings.