

CONESTOGA VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2014

CONESTOGA VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2014

CONTENTS

	Page
Independent auditors' report	1-3
Management's discussion and analysis (unaudited)	4-18
Financial statements:	
Government-wide financial statements:	
Statement of net position	19
Statement of activities	20-21
Fund financial statements and reconciliations:	
Balance sheet, governmental funds	22-23
Reconciliation of the governmental funds balance sheet to the statement of net position	24
Statement of revenues, expenditures and changes in fund balances, governmental funds	25-27
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities	28-29
Statement of net position, proprietary funds	30
Statement of revenues, expenses and changes in fund net position, proprietary funds	31
Statement of cash flows, proprietary funds	32-33
Statement of fiduciary net position, fiduciary funds	34
Statement of changes in fiduciary net position, fiduciary funds	35
Notes to financial statements	36-70

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2014

CONTENTS (CONTINUED)

	Page
Required supplementary information:	
Other postemployment benefits, schedule of funding progress	71
Statement of revenues, expenditures and changes in fund balances, budget and actual, general fund	72-74
Notes to required supplementary information	75-76
Other supplementary information:	
Nonmajor funds:	
Combining balance sheet, all nonmajor governmental funds	77
Combining statement of revenues, expenditures and changes in fund balances, all nonmajor governmental funds	78
Schedule of expenditures of federal awards	79-81
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 <u>Government Auditing Standards</u>	82-83
Independent auditors' report on compliance for the major federal program and report on internal control over compliance required by OMB Circular A-133	84-85
Schedule of findings and questioned costs	86-87
Summary schedule of prior audit findings	88



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

Management's Responsibility for the Financial Statements

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

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, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2014 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 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 Steidman & Fritz

Lancaster, Pennsylvania
October 29, 2014

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2014
(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, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the 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

Financial highlights for the 2013-14 fiscal year were:

- Net position at June 30, 2014 was \$47,317,727 compared to \$43,610,671 at June 30, 2013.
- Capital assets at June 30, 2014 totaled \$56,591,530, net of accumulated depreciation, and represented 65.3% of the total assets as of that date.
- Total principal amount of debt outstanding at June 30, 2014 was \$29,691,724, a 3% decrease from the \$30,558,390 outstanding at June 30, 2013.
- Total revenues for the year ended June 30, 2014 were \$59,467,225 compared to \$57,673,657 for the year ended June 30, 2013, an increase of 3.1%. Total expenditures during the 2013-2014 fiscal year were \$55,760,169; an increase of 6.6% compared to \$52,300,192 for the year ended June 30, 2013.

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

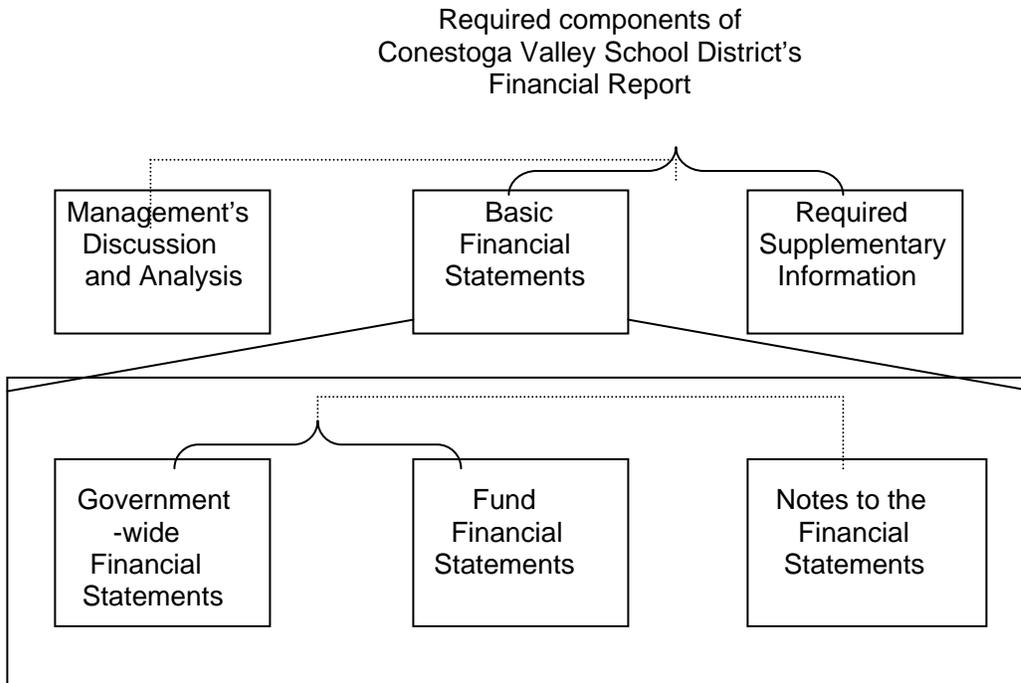
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
June 30, 2014
(unaudited)

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, 2014
(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
LANCASTER, PENNSYLVANIA

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
June 30, 2014
(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 \$47,317,727 and \$43,610,671 at June 30, 2014 and 2013, respectively, per the following schedule:

	Fiscal Year Ended June 30					
	Net Position					
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 29,573,027	\$ 24,324,445	\$ 448,311	\$ 404,227	\$ 30,021,338	\$ 24,728,672
Capital assets	56,400,800	57,098,589	190,730	180,765	56,591,530	57,279,354
Noncurrent assets	10,567	13,586			10,567	13,586
Deferred outflows	1,223,190	1,452,027			1,223,190	1,452,027
Total assets and deferred outflows of resources	\$ 87,207,584	\$ 82,888,647	\$ 639,041	\$ 584,992	\$ 87,846,625	\$ 83,473,639
Current liabilities	\$ 11,566,795	\$ 10,198,194	\$ 506,827	\$ 402,394	\$ 12,073,622	\$ 10,600,588
Long-term liabilities	28,455,276	29,262,380			28,455,276	29,262,380
Total liabilities	\$ 40,022,071	\$ 39,460,574	\$ 506,827	\$ 402,394	\$ 40,528,898	\$ 39,862,968
Net investment in capital assets	\$ 25,831,497	\$ 25,961,526	\$ 190,730	\$ 180,765	\$ 26,022,227	\$ 26,142,291
Unrestricted	21,354,016	17,466,547	(58,516)	1,833	21,295,500	17,468,380
Total net position	\$ 47,185,513	\$ 43,428,073	\$ 132,214	\$ 182,598	\$ 47,317,727	\$ 43,610,671

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

The most significant category of assets is capital assets of \$56,591,530, net of accumulated depreciation, at June 30, 2014. The District's statement of net position included \$29,691,724 of bonds payable at June 30, 2014 that support those capital assets. The results of activities for the District provided a net addition of \$3,707,056 to net position during the 2013-2014 fiscal year. The District did not commit additional money towards its fund balance to offset future retirement costs. The District transferred \$825,000 to the Capital Projects 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	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 480,955	\$ 498,272	\$ 795,632	\$ 824,431	\$ 1,276,587	\$ 1,322,703
Operating grants and contributions	9,716,184	8,374,186	1,017,817	991,179	10,734,001	9,365,365
General revenues:						
Property taxes	38,138,490	37,516,462			38,138,490	37,516,462
Other taxes	5,401,148	5,405,560			5,401,148	5,405,560
Grants and subsidies, unrestricted	3,906,365	3,731,867			3,906,365	3,731,867
Other	(8,626)	231,663	19,260	100,037	10,634	331,700
Total revenues	<u>57,634,516</u>	<u>55,758,010</u>	<u>1,832,709</u>	<u>1,915,647</u>	<u>59,467,225</u>	<u>57,673,657</u>
Expenditures:						
Instructional services	36,455,286	33,269,618			36,455,286	33,269,618
Support services	15,009,209	14,621,453			15,009,209	14,621,453
Noninstructional services	2,412,581	2,533,165			2,412,581	2,533,165
Food service			1,883,093	1,875,956	1,883,093	1,875,956
Total expenditures	<u>53,877,076</u>	<u>50,424,236</u>	<u>1,883,093</u>	<u>1,875,956</u>	<u>55,760,169</u>	<u>52,300,192</u>
Increase (decrease) in net position	<u>\$ 3,757,440</u>	<u>\$ 5,333,774</u>	<u>\$ (50,384)</u>	<u>\$ 39,691</u>	<u>\$ 3,707,056</u>	<u>\$ 5,373,465</u>

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

Total revenues for the year ended June 30, 2014 increased by \$1,793,569 or 3.1% from the year ended June 30, 2013. Revenues from property and other taxes increased by \$617,617 or 1.4% as compared to the previous year. Real estate tax revenues were higher in 2013-2014 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 \$3,459,977 or 6.6% for the year ended June 30, 2014 compared to the year ended June 30, 2013.

For business-type activities, the District transferred \$80,000 less during 2013-14 compared to the prior year for support of food service activities. This accounts for the decrease in the change in net position.

The following presents the expenses of the governmental 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.

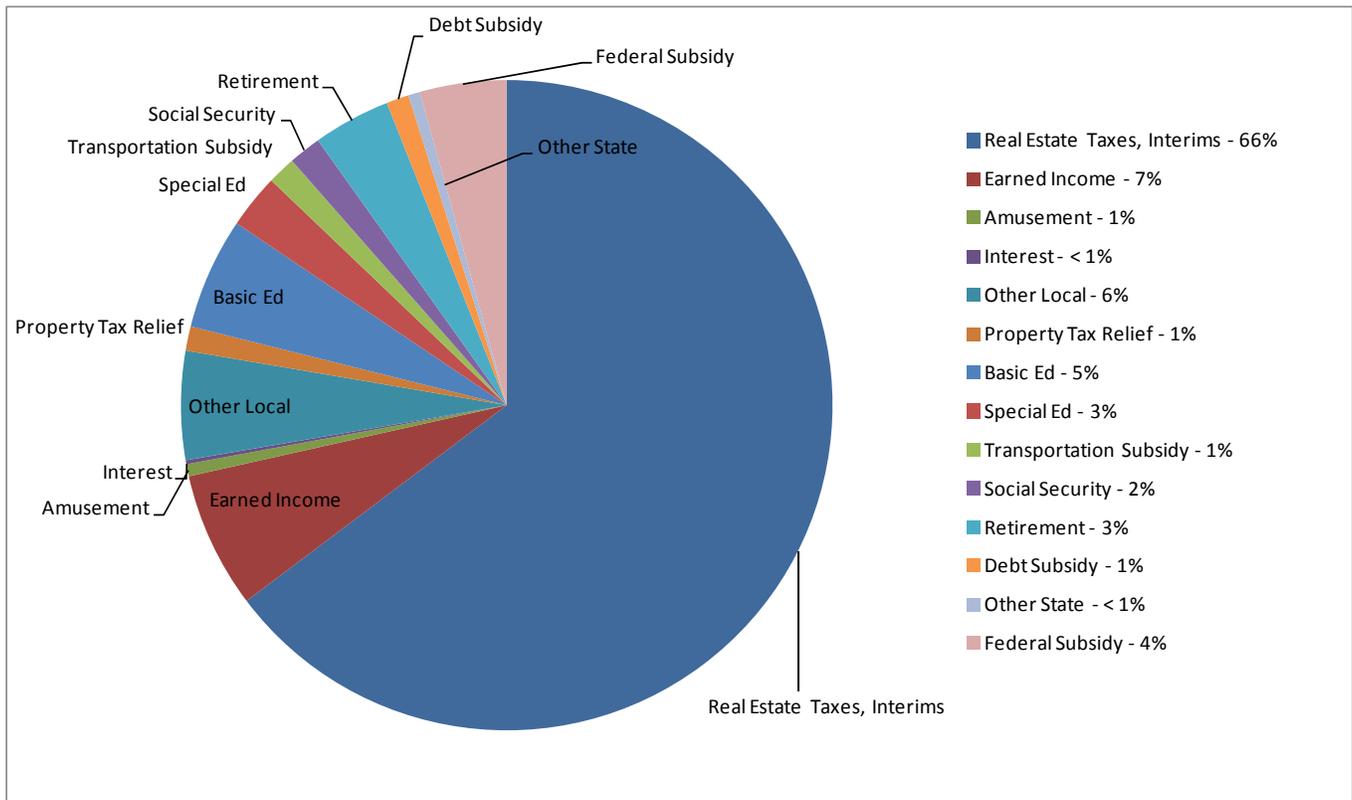
Function/Programs	Fiscal Year Ended June 30			
	Governmental Activities			
	Total cost of services		Net cost of services	
	2014	2013	2014	2013
Regular instruction	\$ 28,933,446	\$ 26,187,667	\$ 24,730,851	\$ 22,788,538
Special instruction	6,381,708	6,142,996	3,882,695	3,686,023
Vocational instruction	884,562	807,540	855,310	703,294
Other instructional programs	255,570	131,415	86,766	127,549
Pupil personnel	1,921,636	1,900,049	1,766,774	1,772,849
Instructional staff	2,005,094	2,106,928	1,644,767	1,731,606
Administration	2,596,028	2,375,661	2,380,148	2,205,001
Pupil health	467,927	456,664	327,201	325,209
Business services	545,147	447,479	508,099	419,945
Operation of plant and maintenance	4,215,010	4,368,450	4,055,192	4,238,895
Student transportation services	2,173,241	2,139,513	999,274	1,211,275
Central	1,041,306	782,057	978,543	743,021
Other support services	43,820	44,652	43,820	44,652
Student activities	1,241,276	1,290,027	917,415	971,127
Community services	20,989	15,258	(385)	(649)
Capital outlay	25,976		25,976	
Refund of prior years' revenue and miscellaneous	12,059	990	12,059	990
Debt service, interest	1,112,281	1,226,890	465,432	582,452
Total government activities	\$ 53,877,076	\$ 50,424,236	43,679,937	41,551,777
Less, unrestricted grants, subsidies			3,906,365	3,731,867
Total needs from local taxes and other revenues			\$ 39,773,572	\$ 37,819,910

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
June 30, 2014
(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 \$39,773,572 for the year ended June 30, 2014 was 5.2% higher than the \$37,819,910 needed for the year ended June 30, 2013. Generally, this shortfall is resolved through increases in local real estate tax receipts.

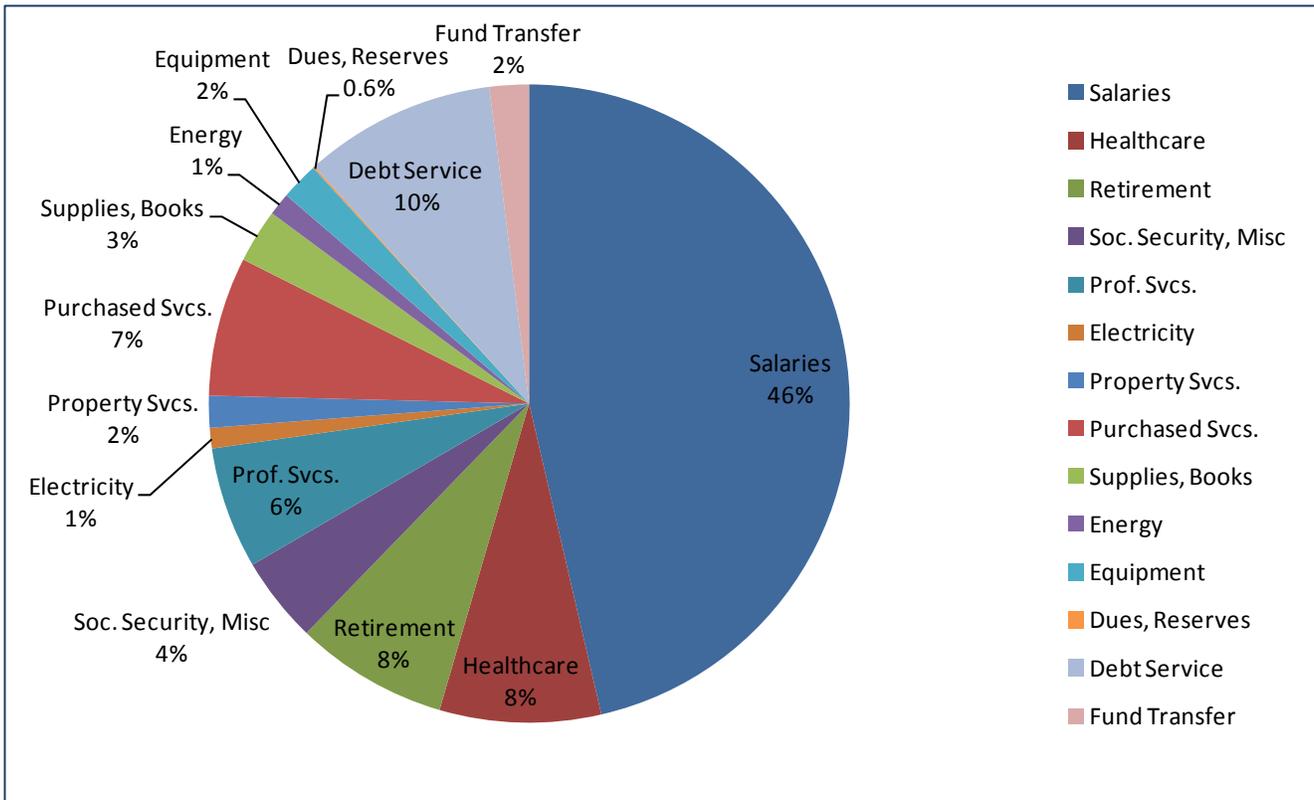
The sources of revenue distributed according to local, state and federal sources for the 2013-2014 fiscal year are shown in the following chart. Of the total revenues, 78% were from local sources, 18% from state sources and 4% from federal sources.



CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

The next chart shows the distribution of expenditures of the District for the year ended June 30, 2014. The most significant categories are salaries and benefits which represent 66.6% of the total general fund expenditures.



CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

The following reflects the activities of the food service program, the business-type activity of the District.

Function/Programs	Fiscal year Ended June 30			
	Business-Type Activities			
	Total cost of services		Net cost of services	
	2014	2013	2014	2013
Food services	\$ 1,883,093	\$ 1,875,956	\$ 69,644	\$ 60,346
Investment earnings			(44)	(37)
Loss on disposal of assets			784	
Transfers in			(20,000)	(100,000)
Total business-type activities			\$ 50,384	\$ (39,691)

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 \$57,834,939 and expenditures and net other financing uses of \$57,477,018 during the fiscal year ended June 30, 2014. The unassigned fund balance in the general fund at June 30, 2014 was approximately \$4.4 million or 7.6% of budgeted expenditures for fiscal year 2013-2014. 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's unassigned fund balance limit is 8.0% of total expenditures.

The District expects that salaries and benefits will increase by approximately \$5,377,789 or 10.8% in the 2014-2015 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 5.74 additional professional positions were added for the 2014-2015 year. Expenditures for medical insurance premiums are expected to increase by \$445,446 and expenditures for retirement benefits paid by the District on behalf of its employees are expected to increase by \$1,477,746 in 2014-2015.

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

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 committed 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 began a capital project in June 2014 for athletic stadium renovations. The General Obligation Bond (GOB) Series of 2014 was issued for \$3,605,000 to fund the athletic stadium project. The Buckskin Boosters Consortium began a capital campaign in 2012 with over \$1,000,000 pledged to pay the GOB Series 2014 debt service payments. The project includes a new concession stand and press box, retrofitted bleachers to conform to safety and accessibility standards, expanded seating and storage, new lights and a new turf playing surface.

Total revenues, excluding an increase in the property tax rate and increase in state retirement subsidy, are projected to be essentially level for 2014-2015 compared to 2013-2014 as support from the Commonwealth of Pennsylvania is budgeted at levels consistent with the previous year with the exception of the increase in state retirement subsidy. 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 2014-2015 fiscal year is 2.1%, and the index for 2015-2016 will be 1.9%. 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.

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

The General Fund budget revenue was \$1,267,777 or 2.2% above the final budget amount of \$56,558,491. 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 2013-2014 budget was planned to be \$57,858,087. Actual expenditures and financing sources were \$57,445,323 or 99.26% of the budgeted amounts. Expenditures were below budget in salaries and benefits, purchased special education services, tuition, transportation as well as electricity. As of June 30, 2014, a cumulative amount of \$7,413,314 had been committed from the District's fund balance to offset the future retirement cost increases for its employees. Transfers totaling \$825,000 were made from the General Fund to the Capital Reserve Fund during the 2013-2014 year.

Capital Projects Funds

The District maintains a Capital Reserve Fund that is utilized for unexpected and other capital projects.

At June 30, 2014, the Capital Reserve Fund had a fund balance of \$3,721,587. The District recognized a transfer of \$825,000 into this fund from available funds in the General Fund during 2013-2014.

The Athletic Stadium Fund was created in 2013-2014 to record the GOB Series of 2014 and the related costs for this athletic stadium project. The project began in June 2014 and has been substantially completed by the end of October 2014. As of June 30, 2014, the Athletic Stadium Project had a fund balance of \$3,240,153.

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District's capital assets increased by \$1,214,544 to \$101,544,239. 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, 2014 and 2013.

Capital Assets

	2014	2013
Land	\$ 2,153,951	\$ 1,919,203
Site improvements	2,525,564	2,525,564
Building and improvements	88,030,559	87,568,629
Furniture and equipment	8,243,883	8,161,462
Construction in progress	590,282	154,837
	101,544,239	100,329,695
Accumulated depreciation	(44,952,709)	(43,050,341)
	\$ 56,591,530	\$ 57,279,354

Debt Administration

In February 2014, the General Obligation Bonds, Series of 2014 for \$3,605,000 were issued to fund the Athletic Stadium Project.

As of July 1, 2013, the District had total outstanding bond principal of \$30,558,390. During the 2013-14 year, the District made payments against principal of \$4,471,666. The ending outstanding debt as of June 30, 2014 is \$29,691,724.

CONESTOGA VALLEY SCHOOL DISTRICT
LANCASTER, PENNSYLVANIA

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

The following schedule provides the outstanding balances of those bonds and note issues as of June 30, 2014 and 2013.

Outstanding Debt

	2014	2013
Bonds, Series of 2004	\$ 4,645,000	\$ 6,300,000
Note, Series of 2004	123,387	373,387
Note, Series of 2008	633,337	700,003
Bonds, Series of 2012	20,685,000	23,185,000
Bonds, Series of 2014	3,605,000	
	\$ 29,691,724	\$ 30,558,390

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 healthcare 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, 2014
(unaudited)

The 2014-2015 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. In the 2014-2015 fiscal year budget, the special education and retirement referendum exceptions were available to the District. 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 2015-2016 preliminary budget or for adoption of a resolution not to exceed the index will be January 31, 2015. The (index) cap applicable to the District was 1.7% for the 2013-2014 fiscal year, 2.1% for the 2014-2015 fiscal year and will be 1.9% for the 2015-2016 budget year.

Moody's, one of America's top bond credit rating agencies, affirmed the existing Aa2 rating to the General Obligation Bonds, Series of 2014. Citing "healthy financial reserves", "track record of conservative budgeting", "large and economically diverse tax base" and "low debt burden", Moody's assigned the District its third-highest rating, meaning it considers the District's \$29.7 million in outstanding debt high quality and with very low credit risk to investors. 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 has a Collective Bargaining Agreement with its professional staff that extends to June 30, 2015.

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, 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 3,782,114	\$ 30	\$ 3,782,144
Investments	21,203,064	176,459	21,379,523
Restricted investments	65,485		65,485
Taxes receivable, net	1,881,435		1,881,435
Due from other governments	2,296,309	224,054	2,520,363
Other receivables, net	267,066	7,655	274,721
Inventories		40,113	40,113
Prepaid expenses	77,554		77,554
	<hr/>	<hr/>	<hr/>
Total current assets	29,573,027	448,311	30,021,338
Noncurrent assets:			
Capital assets:			
Construction in progress	590,282		590,282
Land	2,153,951		2,153,951
Site improvements	2,525,564		2,525,564
Buildings and building improvements	88,030,559		88,030,559
Furniture and equipment	7,174,125	1,069,758	8,243,883
Accumulated depreciation	(44,073,681)	(879,028)	(44,952,709)
	<hr/>	<hr/>	<hr/>
Total capital assets	56,400,800	190,730	56,591,530
Bond insurance costs, net	10,567		10,567
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	56,411,367	190,730	56,602,097
Total assets	85,984,394	639,041	86,623,435
Deferred outflows of resources, deferred charge on refunding	1,223,190		1,223,190
	<hr/>	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 87,207,584</u>	<u>\$ 639,041</u>	<u>\$ 87,846,625</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	Governmental activities	Business-type activities	Total
Current liabilities:			
Internal balances	\$ (470,764)	\$ 470,764	\$ -
Accounts payable	2,028,502	428	2,028,930
Current portion of:			
Capital lease obligations	291,563		291,563
Bonds and notes payable	4,440,053		4,440,053
Accrued salaries and benefits	4,385,991	9,756	4,395,747
Payroll deductions and withholdings	313,645		313,645
Accrued interest	411,936		411,936
Unearned revenue	165,869	25,879	191,748
	<u>11,566,795</u>	<u>506,827</u>	<u>12,073,622</u>
Total current liabilities			
Noncurrent liabilities:			
Capital lease obligations	342,296		342,296
Bonds and notes payable	26,718,581		26,718,581
Early retirement incentive	161,065		161,065
Compensated absences	656,012		656,012
Other postemployment benefits	577,322		577,322
	<u>28,455,276</u>		<u>28,455,276</u>
Total noncurrent liabilities			
Total liabilities	<u>40,022,071</u>	<u>506,827</u>	<u>40,528,898</u>
Net position:			
Net investment in capital assets	25,831,497	190,730	26,022,227
Unrestricted	21,354,016	(58,516)	21,295,500
	<u>47,185,513</u>	<u>132,214</u>	<u>47,317,727</u>
Total net position			
Total liabilities and net position	<u>\$ 87,207,584</u>	<u>\$ 639,041</u>	<u>\$ 87,846,625</u>

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Program revenues		Net revenue (expense) and changes in net position		
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities
Governmental activities:					
Instructional services:					
Regular instruction	\$ 28,933,446	\$ 32,585	\$ 4,170,010	\$ (24,730,851)	\$ (24,730,851)
Special instruction	6,381,708		2,499,013	(3,882,695)	(3,882,695)
Vocational instruction	884,562		29,252	(855,310)	(855,310)
Other instructional programs	255,570		168,804	(86,766)	(86,766)
Total instructional services	<u>36,455,286</u>	<u>32,585</u>	<u>6,867,079</u>	<u>(29,555,622)</u>	<u>(29,555,622)</u>
Support services:					
Pupil personnel	1,921,636		154,862	(1,766,774)	(1,766,774)
Instructional staff	2,005,094		360,327	(1,644,767)	(1,644,767)
Administration	2,596,028		215,880	(2,380,148)	(2,380,148)
Pupil health	467,927		140,726	(327,201)	(327,201)
Business services	545,147		37,048	(508,099)	(508,099)
Operation of plant and maintenance	4,215,010		159,818	(4,055,192)	(4,055,192)
Student transportation services	2,173,241	274,195	899,772	(999,274)	(999,274)
Central	1,041,306		62,763	(978,543)	(978,543)
Other support services	43,820			(43,820)	(43,820)
Total support services	<u>15,009,209</u>	<u>274,195</u>	<u>2,031,196</u>	<u>(12,703,818)</u>	<u>(12,703,818)</u>
Noninstructional services:					
Student activities	1,241,276	174,175	149,686	(917,415)	(917,415)
Community services	20,989		21,374	385	385
Capital outlay	25,976			(25,976)	(25,976)
Refund of prior years' revenue and miscellaneous	12,059			(12,059)	(12,059)
Debt service:					
Lease rental payment	76,615			(76,615)	(76,615)
Interest	1,035,666		646,849	(388,817)	(388,817)
Total noninstructional services	<u>2,412,581</u>	<u>174,175</u>	<u>817,909</u>	<u>(1,420,497)</u>	<u>(1,420,497)</u>

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2014

	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	\$ 53,877,076	\$ 480,955	\$ 9,716,184	\$ (43,679,937)		\$ (43,679,937)
Business-type activities, food service	1,883,093	795,632	1,017,817		\$ (69,644)	(69,644)
Total primary government	<u>\$ 55,760,169</u>	<u>\$ 1,276,587</u>	<u>\$ 10,734,001</u>	(43,679,937)	(69,644)	(43,749,581)
General revenues:						
Taxes:						
Property, etc.				38,138,490		38,138,490
Other				5,401,148		5,401,148
Grants, subsidies, other nonrestricted				3,906,365		3,906,365
Interest				116,828	44	116,872
Loss on disposal of assets				(269,173)	(784)	(269,957)
Miscellaneous				163,719		163,719
Transfers				(20,000)	20,000	-
Total general revenues and transfers				<u>47,437,377</u>	<u>19,260</u>	<u>47,456,637</u>
Change in net position				3,757,440	(50,384)	3,707,056
Net position:						
July 1, 2013				<u>43,428,073</u>	<u>182,598</u>	<u>43,610,671</u>
June 30, 2014				<u>\$ 47,185,513</u>	<u>\$ 132,214</u>	<u>\$ 47,317,727</u>

See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS – JUNE 30, 2014

	ASSETS					Total governmental funds
	Major funds				Nonmajor funds	
	General fund	Capital Project Funds		Debt service fund		
		Capital reserve fund	Athletic stadium fund			
Assets:						
Cash and cash equivalents	\$ 228,615		\$ 3,553,495	\$ 4		\$ 3,782,114
Investments	16,163,732	\$ 2,892,272			\$ 65,253	19,121,257
Restricted investments	65,485					65,485
Taxes receivable, net	1,881,435					1,881,435
Due from:						
Other funds	657,833	999,970		373,973		2,031,776
Other governments	2,296,309					2,296,309
Other receivables, net	254,079		717		12,270	267,066
Prepaid expenses	207,658					207,658
Total assets	\$ 21,755,146	\$ 3,892,242	\$ 3,554,212	\$ 373,977	\$ 77,523	\$ 29,653,100

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED) – JUNE 30, 2014

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

	Major funds					Total governmental funds
	General fund	Capital Project Funds			Nonmajor funds	
		Capital reserve fund	Athletic stadium fund	Debt service fund		
Liabilities:						
Due to other funds	\$ 1,373,943		\$ 101,880		\$ 300	\$ 1,476,123
Accounts payable	1,033,962	\$ 170,655	212,179	\$ 5,104	4,220	1,426,120
Accrued salaries and benefits	4,385,991					4,385,991
Payroll deductions and withholdings	313,645					313,645
Unearned revenue	165,869					165,869
Total liabilities	7,273,410	170,655	314,059	5,104	4,520	7,767,748
Deferred inflows of resources, unavailable revenue	574,581					574,581
Fund balances:						
Nonspendable	207,658					207,658
Restricted		3,721,587	3,240,153	368,873		7,330,613
Committed	7,413,314					7,413,314
Assigned	1,890,144				73,003	1,963,147
Unassigned	4,396,039					4,396,039
Total fund balances	13,907,155	3,721,587	3,240,153	368,873	73,003	21,310,771
Total liabilities, deferred inflows of resources and fund balances	\$ 21,755,146	\$ 3,892,242	\$ 3,554,212	\$ 373,977	\$ 77,523	\$ 29,653,100

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, 2014

Total fund balances, governmental funds		\$ 21,310,771
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 \$100,474,481, and the accumulated depreciation is \$44,073,681.		56,400,800
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.		1,389,432
Property taxes receivable are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the funds.		574,581
Debt service payments made prior to the due date are recorded as prepaids in the funds.		(130,104)
Deferred charge on refunding is not reported as a deferred outflow of resources in the funds.		1,223,190
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 and bond insurance costs at year end consist of:		
Notes payable	\$ (756,724)	
Bonds payable	(28,935,000)	
Capital lease obligations	(633,859)	
Accrued interest on the bonds	(406,832)	
Unamortized:		
Bonds insurance costs, net of amortization	10,567	
Bond premium, net of discount	(1,466,910)	
Compensated absences	(656,012)	
Early retirement incentive	(161,065)	
Other postemployment benefits	(577,322)	(33,583,157)
Total net position of governmental activities		<u>\$ 47,185,513</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, 2014

	Major funds					Total governmental funds
	General fund	Capital Project Funds		Debt service fund	Nonmajor funds	
		Capital reserve fund	Athletic stadium fund			
Revenues and other financing sources:						
Revenues:						
Local sources:						
Real estate taxes and penalties	\$ 38,177,793					\$ 38,177,793
Other taxes and penalties	5,347,697					5,347,697
Investment income	114,836	\$ 244	\$ 1,568		\$ 14	116,662
Rent	83,035					83,035
Other revenues	1,206,217				88,307	1,294,524
Total local sources	44,929,578	244	1,568		88,321	45,019,711
State sources	10,417,134					10,417,134
Federal sources	2,488,227					2,488,227
Other financing sources:						
Bond proceeds			3,605,000			3,605,000
Interfund transfers		999,970		\$ 5,464,342		6,464,312
Total other financing sources		999,970	3,605,000	5,464,342		10,069,312
Total revenues and other financing sources	57,834,939	1,000,214	3,606,568	5,464,342	88,321	67,994,384

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Major funds					Total governmental funds
	General fund	Capital Project Funds		Debt service fund	Nonmajor funds	
		Capital reserve fund	Athletic stadium fund			
Expenditures and other financing uses:						
Expenditures:						
Current:						
Instruction	\$ 34,334,648					\$ 34,334,648
Support services	15,092,904					15,092,904
Operation of noninstructional services	1,206,251				\$ 27,677	1,233,928
Refund of prior year's revenue and miscellaneous	12,059					12,059
Capital outlay	234,748	\$ 484,836	\$ 314,059		132,824	1,166,467
Debt service:						
Principal	76,615			\$ 4,471,666		4,548,281
Interest	35,481			1,047,537		1,083,018
Total expenditures	<u>50,992,706</u>	<u>484,836</u>	<u>314,059</u>	<u>5,519,203</u>	<u>160,501</u>	<u>57,471,305</u>
Other financing uses:						
Bond issuance costs			50,443			50,443
Bond discount			1,913			1,913
Interfund transfers	<u>6,484,312</u>					<u>6,484,312</u>
Total other financing uses	<u>6,484,312</u>		<u>52,356</u>			<u>6,536,668</u>
Total expenditures and other financing uses	<u>57,477,018</u>	<u>484,836</u>	<u>366,415</u>	<u>5,519,203</u>	<u>160,501</u>	<u>64,007,973</u>

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Major funds					Total governmental funds
	General fund	Capital Project Funds		Debt service fund	Nonmajor funds	
		Capital reserve fund	Athletic stadium fund			
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 357,921	\$ 515,378	\$ 3,240,153	\$ (54,861)	\$ (72,180)	\$ 3,986,411
Fund balances:						
July 1, 2013	<u>13,549,234</u>	<u>3,206,209</u>	<u></u>	<u>423,734</u>	<u>145,183</u>	<u>17,324,360</u>
June 30, 2014	<u><u>\$ 13,907,155</u></u>	<u><u>\$ 3,721,587</u></u>	<u><u>\$ 3,240,153</u></u>	<u><u>\$ 368,873</u></u>	<u><u>\$ 73,003</u></u>	<u><u>\$ 21,310,771</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, 2014

Total net change in fund balances, governmental funds	\$ 3,986,411
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, \$2,751,026; capital outlays, \$2,322,410.	(428,616)
Loss on disposals of fixed assets is not recorded in the governmental funds.	(269,173)
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.	(1,591)
Interest expense on prepaid debt service is recorded in prepaids in the governmental funds.	5,138
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.	308,340
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.	17,612

(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, 2014

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	\$ 77,491
Compensated absences	(103,090)
Post employment benefits	(105,875)

The issuance of long-term obligations (i.e., 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. The effects of these transactions in the statement of activities is shown below:

Accrued interest	\$ 14,392	
Capital lease	(640,002)	
Bond proceeds	(3,605,000)	
Repayment of bond principal	4,471,666	
Bond discount	1,913	
Amortization of:		
Bond premium	284,895	
Bond discount	(25,215)	
Bond insurance costs	(3,019)	
Deferred charge on refunding	(228,837)	<u>270,793</u>

Change in net position of governmental activities	<u>\$ 3,757,440</u>
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See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

ASSETS

	Major funds	
	Food service	Internal service
Current assets:		
Cash and cash equivalents	\$ 30	
Investments	176,459	\$ 2,081,807
Due from other governments	224,054	
Other receivables, net	7,655	
Inventory	40,113	
Total current assets	448,311	2,081,807
Noncurrent assets:		
Machinery and equipment	1,069,758	
Accumulated depreciation	(879,028)	
Total noncurrent assets	190,730	
Total assets	\$ 639,041	\$ 2,081,807

See notes to financial statements.

LIABILITIES AND NET POSITION

	Major funds	
	Food service	Internal service
Current liabilities:		
Due to other funds	\$ 470,764	\$ 84,889
Accounts payable	428	607,486
Accrued salaries and benefits	9,756	
Unearned revenue	25,879	
Total current liabilities	506,827	692,375
Net position:		
Net investment in capital assets	190,730	
Unrestricted	(58,516)	1,389,432
Total net position	132,214	1,389,432
Total liabilities and net position	\$ 639,041	\$ 2,081,807

CONESTOGA VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Major funds	
	Food service	Internal service
Operating revenues:		
Food service revenue	\$ 768,930	
Charges for services		\$ 5,500,000
Other local sources	26,702	
Total operating revenues	795,632	5,500,000
Operating expenses:		
Depreciation	26,961	
Employee benefits, medical insurance		5,079,023
Food supplies	919,603	
Miscellaneous expenses	22,908	
Administrative services		403,531
Personnel	913,621	
Total operating expenses	1,883,093	5,482,554
Operating income (loss)	(1,087,461)	17,446
Nonoperating revenues (expense):		
Earnings on investments	44	166
Loss on retirement of assets	(784)	
State subsidy revenue	59,409	
Federal subsidy revenue	881,214	
Social Security subsidy revenue	24,186	
Retirement subsidy revenue	53,008	
Total nonoperating revenues (expense)	1,017,077	166
Income (loss) before transfers	(70,384)	17,612
Transfers in	20,000	
Change in net position	(50,384)	17,612
Total net position:		
July 1, 2013	182,598	1,371,820
June 30, 2014	\$ 132,214	\$ 1,389,432

See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Major Funds	
	Food service	Internal service
Cash flows from operating activities:		
Cash received:		
Users	\$ 780,655	
Assessments made to other funds		\$ 5,500,000
Other operating revenue	26,702	
Cash payments:		
Employee benefits, medical insurance		(4,665,496)
Suppliers for goods and services	(720,269)	
Other operating expenses	(22,908)	(403,531)
Salaries	(914,408)	
Net cash provided by (used in) operating activities	(850,228)	430,973
Cash flows from noncapital financing activities:		
Transfers from other funds	20,000	
State sources	122,008	
Federal sources	592,074	
Net cash provided by noncapital financing activities	734,082	
Cash flows used in capital and related financing activities, purchase of machinery and equipment	(37,710)	
Cash flows from investing activities:		
Earnings on investments	44	166
Withdrawals or redemptions from investment securities	1,823,851	5,100,874
Purchase of investment securities	(1,670,009)	(5,532,013)
Net cash provided by (used in) investing activities	153,886	(430,973)

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2014

	Major Funds	
	Food service	Internal service
Net change in cash and cash equivalents	\$ 30	\$ -
Cash and cash equivalents:		
Beginning of year	-	-
End of year	\$ 30	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (1,087,461)	\$ 17,446
Adjustments:		
Depreciation	26,961	
Donated commodities	93,117	
(Increase) decrease in:		
Due from other funds	100,000	
Other receivables	(2,084)	
Inventories	997	
Prepays	13,809	
Increase (decrease) in:		
Accounts payable	(300)	328,638
Due to other funds	(2,889)	84,889
Accrued benefits	(787)	
Unearned revenue	8,409	
Total adjustments	237,233	413,527
Cash provided by (used in) operating activities	\$ (850,228)	\$ 430,973

See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>Student activities</u>	<u>Private purpose trust</u>
Assets:		
Cash and cash equivalents	\$ 11,714	
Investments	<u>148,167</u>	<u>\$ 156,995</u>
Total assets	<u><u>\$ 159,881</u></u>	<u><u>\$ 156,995</u></u>
Liabilities, due to student groups	\$ 159,881	
Net position, held in trust for scholarships	<u> </u>	<u>\$ 156,995</u>
Total liabilities and net position	<u><u>\$ 159,881</u></u>	<u><u>\$ 156,995</u></u>

See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2014

	<u>Private purpose trust</u>
Additions:	
Gifts and contributions	\$ 11,692
Earnings and investments	<u>186</u>
Total additions	11,878
Deductions, scholarships awarded	<u>(1,080)</u>
Change in net position	10,798
Net position:	
July 1, 2013	<u>146,197</u>
June 30, 2014	<u><u>\$ 156,995</u></u>

See notes to financial statements.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 and the Athletic Stadium Fund.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014

1. Summary of significant accounting policies (continued):

Basis of presentation, fund accounting and measurement focus (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, 2014

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, 2014 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, 2014

1. Summary of significant accounting policies (continued):

Capital assets (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, 2014

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, 2014 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, 2014

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, 11 employees elected to retire and a total of \$110,000 was paid under the bonus program. At June 30, 2014, the District's obligation for single coverage health insurance under this program was approximately \$161,000.

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, 2014

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 29, 2014, 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, 2014, \$3,489,155 of the District's bank balance was insured by the Federal Deposit Insurance Corporation (FDIC).

Financial statement amounts, deposits:

Government activities	\$ 3,782,114 **
Business-type activities	30
Fiduciary funds, student activities	<u>11,714</u>
	<u><u>\$ 3,793,858</u></u>

** Includes \$3,000,000 in certificates of deposit which are cash equivalents

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

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

Investments:

As of June 30, 2014, the District had the following investments and restricted investments:

Investment	Maturity	Fair value	
PA Local Government Investment Trust		\$ 97,043	
PA School District Liquid Asset Fund		9,081,974	*
Certificates of deposit:			
Susquehanna Bank:			
	March 22, 2014	100,000	**
	June 28, 2014	100,000	**
PA School District Liquid Asset Fund:			
	July 9, 2014	245,000	**
	July 15, 2014	245,000	**
	July 17, 2014	245,000	**
	July 18, 2014	245,000	**
	July 18, 2014	245,000	**
	July 23, 2014	248,883	**
	July 31, 2014	245,000	**
	August 8, 2014	245,000	**
	August 29, 2014	245,000	**
	August 29, 2014	245,000	**
	August 29, 2014	245,000	**
	September 4, 2014	245,000	**
	September 10, 2014	248,140	**
	September 12, 2014	245,000	**
	September 12, 2014	249,130	**
	September 16, 2014	245,000	**
	September 23, 2014	245,000	**
	September 23, 2014	5,500,000	***
	November 18, 2014	245,000	**
	November 26, 2014	245,000	**

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

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

Investments (continued):

<u>Investment</u>	<u>Maturity</u>	<u>Fair value</u>
Certificates of deposit (continued):		
PA School District Liquid Asset Fund		
(continued):		
	December 18, 2014	\$ 245,000 **
	January 23, 2015	245,000 **
	April 13, 2015	245,000 **
	May 22, 2015	245,000 **
	May 26, 2015	245,000 **
	May 29, 2015	245,000 **
	June 2, 2015	245,000 **
	November 13, 2015	245,000 **
	February 4, 2016	245,000 **
		<u>\$ 21,750,170</u>
Total		<u>\$ 21,750,170</u>

* Includes restricted investments of \$65,485

** Certificates of deposit totaling \$7,071,153 are insured by FDIC

*** Collateralized certificate of deposit investment pool which invests in insured certificates of deposit

Financial statement amounts:

Governmental activities, current assets	\$ 21,203,064
Governmental activities, restricted, current assets	65,485
Business-type activities	176,459
Fiduciary funds	305,162
	<u>\$ 21,750,170</u>

CONESTOGA VALLEY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2014

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

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, 2014, 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, 2014 was 14.528 (\$14.528 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, 2014

4. Taxes receivable and related accounts, general fund:

A summary of the taxes receivable and related accounts as of June 30, 2014 were as follows:

	<u>Taxes receivable</u>	<u>Tax revenue recognized</u>	<u>Unearned revenue</u>	<u>Unavailable revenue</u>
Real estate, net	\$ 666,125	\$ 91,544		\$ 574,581
Earned income taxes	933,167	933,167		
Per capita and emergency management services tax	183,380	66,314	\$ 117,066	
Transfer tax	37,063	37,063		
Amusement tax	61,700	61,700		
	<u>\$ 1,881,435</u>	<u>\$ 1,189,788</u>	<u>\$ 117,066</u>	<u>\$ 574,581</u>

5. Due from/to other funds and transfers:

Individual fund receivable and payable balances at June 30, 2014 were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General fund	\$ 657,833	\$ 1,373,943
Debt service	373,973	
Enterprise fund		470,764
Internal service fund		84,889
Athletic facilities reserve fund		300
Capital reserve fund	999,970	
High school stadium fund		101,880
	<u>\$ 2,031,776</u>	<u>\$ 2,031,776</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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

The General Fund due to other funds pertains to \$373,973 remaining to be transferred to the Debt Service Fund for principal and interest payments (of a total of \$5,464,342); \$174,970 to the Capital Reserve Fund for capital asset purchases and \$825,000 to Capital Reserve Fund for future capital projects. The Enterprise Fund due to other funds pertains to payroll and benefits paid by the General Fund. The Internal Service Fund due to other funds pertains to healthcare claims paid by the General Fund. The Athletic Stadium Fund due to other funds pertains to capital asset purchased by the General Fund.

Interfund transfers in the governmental funds for the year ended June 30, 2014 are as follows:

	<u>Transfers to other funds</u>	<u>Transfers from other funds</u>
Major funds:		
General fund	\$ 6,464,312	
Capital reserve		\$ 999,970
Debt service fund		<u>5,464,342</u>
	<u>\$ 6,464,312</u>	<u>\$ 6,464,312</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

6. Due from other governments:

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2014, the following amounts are due from other governmental units:

	<u>General fund</u>	<u>Food service fund</u>
Federal programs	\$ 464,399	\$ 208,525
State programs/grants:		
School lunch		13,008
School breakfast		2,521
State subsidies:		
Social Security	172,745	
Retirement	817,384	
Medicaid administration claim	4,325	
Pre-K counts	24,304	
Local:		
IDEA, Part B	463,617	
Special Education	332,650	
Transportation/other	<u>16,885</u>	
	<u>\$ 2,296,309</u>	<u>\$ 224,054</u>

7. Unearned revenue:

Unearned revenue at June 30, 2014 consists of the following:

General fund, unearned revenue:	
Per capita and emergency management service tax, Note 4	\$ 117,066
Other	<u>48,803</u>
	<u>\$ 165,869</u>
Food service fund, commodities inventory	<u>\$ 25,879</u>

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

8. Fund balances:

As of June 30, 2014, fund balances are composed of the following:

	General fund	Capital Project Funds		Debt service	Nonmajor governmental funds	Total governmental funds
		Capital Reserve Fund	Athletic Stadium Fund			
Nonspendable, prepaid amounts	\$ 207,658					\$ 207,658
Restricted:						
Debt service				\$ 368,873		368,873
Capital projects		\$ 3,721,587	\$ 3,240,153			6,961,740
Committed, future pension obligation	7,413,314					7,413,314
Assigned:						
Athletic facilities, Buckskin Consortium					\$ 54,200	54,200
Extra curricular, Market Street Sports					18,803	18,803
Athletic fund	40,144					40,144
Assessment appeals	1,850,000					1,850,000
Unassigned	4,396,039					4,396,039
Total fund balances	\$ 13,907,155	\$ 3,721,587	\$ 3,240,153	\$ 368,873	\$ 73,003	\$ 21,310,771

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

9. Capital assets:

Capital asset activity for the year ended June 30, 2014 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	\$ 1,919,203	\$ 234,748		\$ 2,153,951
Capital assets being depreciated:				
Site improvements	2,525,564			2,525,564
Buildings and building improvements	87,568,629	469,209	\$ 7,279	88,030,559
Furniture and equipment	7,127,846	1,183,008	1,136,729	7,174,125
Total assets being depreciated	<u>97,222,039</u>	<u>1,652,217</u>	<u>1,144,008</u>	<u>97,730,248</u>
Less accumulated depreciation for:				
Site improvements	2,173,343	166,336		2,339,679
Building and building improvements	35,546,188	1,862,564	3,093	37,405,659
Furniture and equipment	4,477,959	722,126	871,742	4,328,343
Total accumulated depreciation	<u>42,197,490</u>	<u>2,751,026</u>	<u>874,835</u>	<u>44,073,681</u>
Total capital assets being depreciated, net	<u>55,024,549</u>	<u>(1,098,809)</u>	<u>269,173</u>	<u>53,656,567</u>
Construction in progress	<u>154,837</u>	<u>435,445</u>		<u>590,282</u>
Governmental activities, capital assets, net	<u>\$ 57,098,589</u>	<u>\$ (428,616)</u>	<u>\$ 269,173</u>	<u>\$ 56,400,800</u>

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

9. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets being depreciated, equipment	\$ 1,033,616	\$ 37,710	\$ 1,568	\$ 1,069,758
Less accumulated depreciation for equipment	852,851	26,961	784	879,028
Business-type activities, capital assets, net	<u>\$ 180,765</u>	<u>\$ 10,749</u>	<u>\$ 784</u>	<u>\$ 190,730</u>

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

	Instruction	Support services	Total
Regular instruction	\$ 2,483,008		\$ 2,483,008
Special instruction	2,544		2,544
Pupil personnel		\$ 676	676
Instructional staff		6,899	6,899
Administration		4,861	4,861
Pupil health		210	210
Business services		437	437
Operation of plant and maintenance		171,689	171,689
Central services		33,118	33,118
Student activities		47,584	47,584
	<u>\$ 2,485,552</u>	<u>\$ 265,474</u>	<u>\$ 2,751,026</u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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, 2014:

<u>Year</u>	<u>Amount</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>Annual principal installments ranging from</u>
2004 bonds	\$ 4,645,000	4.00% - 5.25%	2018	\$330,000 - \$1,800,000
2004 (General Obligation Note)	123,387	4.11%	2015	\$250,000 per year
2008 (General Obligation Note)	633,337	3.77% - 6.00%	2023	\$33,343 - \$66,666
2012 bonds	20,685,000	2.00% - 4.00%	2020	\$2,300,000 - \$5,015,000
2014 bonds	<u>3,605,000</u>	.40% - 2.20%	2021	\$5,000 - \$2,400,000
	<u>\$ 29,691,724</u>			

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

10. Long-term debt (continued):

The following is a summary of debt transactions of the District for the year ended June 30, 2014:

Bonds and notes payable at July 1, 2013	\$ 30,558,390
Proceeds from Series of 2014	3,605,000
Principal paid:	
Series of 2004	(1,655,000)
Series of 2004 (Note)	(250,000)
Series of 2008 (Note)	(66,666)
Series of 2012	<u>(2,500,000)</u>
Bonds and notes payable at June 30, 2014	29,691,724
Original issue premium, net of discount	<u>1,466,910</u>
Total long-term debt	31,158,634
Less current portion	<u>4,440,053</u>
	<u><u>\$ 26,718,581</u></u>

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

Year ending June 30,	Principal	Interest	Total
2015	\$ 4,440,053	\$ 1,009,986	\$ 5,450,039
2016	4,476,666	842,373	5,319,039
2017	4,676,666	682,283	5,358,949
2018	4,831,666	520,968	5,352,634
2019	5,086,666	333,747	5,420,413
2020-2024	<u>6,180,007</u>	<u>208,610</u>	<u>6,388,617</u>
	<u><u>\$ 29,691,724</u></u>	<u><u>\$ 3,597,967</u></u>	<u><u>\$ 33,289,691</u></u>

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

10. Long-term debt (continued):

Expenditures for interest on long-term debt for the year ended June 30, 2014 were \$1,071,066 and were primarily provided from general fund transfers.

11. Letter of credit:

As of June 30, 2014, the School District has a letter of credit with a local bank for \$771,797 which pertains to the athletic stadium project. The letter of credit matures on June 30, 2015. The letter of credit is secured by property of the School District.

12. 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.

In July 2013, the School District entered into a capital lease agreement to purchase computer equipment with a total purchase price of \$395,160. The principal balance will be amortized over a term of 48 months at an effective annual interest rate of 5.03%. Four annual payments of principal and interest of \$106,342 are payable during the month of July each year.

In July 2013, the School District entered into a capital lease agreement to purchase computer equipment with a total purchase price of \$244,842. The principal balance will be amortized over a term of 36 months at an effective annual interest rate of 2.99%. Four annual payments of principal and interest of \$84,030 are payable during the month of July 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, 2014

12. Capital leases (continued):

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

Fiscal year ending June 30,	Principal	Interest	Total
2015	\$ 291,563	\$ 24,143	\$ 315,706
2016	241,156	14,115	255,271
2017	101,140	5,202	106,342
	<u>\$ 633,859</u>	<u>\$ 43,460</u>	<u>\$ 677,319</u>

13. 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 5th 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.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

13. 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. Contributions from active members vary from 5.25% to 10.3% of the member's qualifying compensation depending on the date of hire. Certain rates are also subject to additional risk sharing rate increases.

The contributions required of participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payroll during the period for which the amount is determined. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16% for pension benefits and .93% for healthcare insurance premium assistance. The 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. The District's contributions to PSERS for the years ended June 30, 2014, 2013 and 2012 were \$4,437,435; \$3,095,467 and \$2,135,827, respectively, which are equal to the required contributions for each year. Reimbursements by the Commonwealth to the District totaled \$2,271,725 for the fiscal year ended June 30, 2014. Such payments are recorded in the general fund and proprietary funds as state source revenues. In the government-wide financial statements payments are allocated based on function.

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

14. 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, 2014

14. 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 based on the most recent available actuarial valuation.

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 calculated for fiscal year ended June 30, 2013 and used as estimate for year ended June 30, 2014	 <u>\$ 302,499</u>
 Annual OPEB cost	 \$ 302,499
Interest on net obligation	21,215
Adjustment made to annual required contribution	(28,943)
Estimated contributions made	<u>(188,896)</u>
 Increase in net OPEB obligation	 105,875
 Net OPEB liability:	
Beginning of year	<u>471,447</u>
 End of year	 <u>\$ 577,322</u>

CONESTOGA VALLEY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

14. Other postemployment benefits (continued):

Trend information:

Fiscal year ended	Annual OPEB cost	Employer contributions	Percentage of annual OPEB cost contributed	Net OPEB obligation
6/30/2014	\$ 302,499	(a) \$ 211,724	69.99%	\$ 577,322
6/30/2012	302,499	221,753	73.31%	471,447
6/30/2010	317,381	232,303	73.19%	266,266

(a) Amounts per most recent available actuarial valuation

Funding status and funding progress:

The funded status of the plan was as follows:

Actuarial valuation date	July 1, 2012	July 1, 2010	July 1, 2008
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, 2014

14. 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 6.5% in 2014, 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.

15. 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, 2014 was \$819,252, 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, 2014

15. 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, 2014 was \$1,052,504.

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 balance of the District's share of this obligation at June 30, 2014 was \$1,285,299.

On July 9, 2014, the Authority completed issuance of Guaranteed Lease Revenue Bonds, Series of 2014, in the amount of \$3,900,000. Payments are required over the period February 2015 until February 2037 with interest payable semi-annually. The average bond yield is 3.88%. The balance of the District's share of this obligation is \$470,207.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

15. Joint ventures (continued):

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

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

Fiscal year ending June 30,	Total
2015	\$ 111,513
2016	111,487
2017	111,388
2018	123,771
2019	123,629
2020-2024	618,464
2025-2029	618,350
2030-2034	618,570
2035-2037	<u>370,838</u>
Total minimum future rental payments	<u>\$ 2,808,010</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, 2014. 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, 2014

15. 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, 2014 was approximately \$1,908,000. 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, 2014 was \$37,125. 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, 2014 was \$72,497. 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, 2014

16. 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, 2014, 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 \$5,476,795 in total. A liability for claims incurred prior to June 30, 2014 and paid subsequently is recorded in the amount of \$607,486 in accounts payable in the Internal Service Fund.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

16. 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, 2014, 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, 2014, the District is not aware of any unemployment compensation claims.

17. 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 \$1,552,000.

As of June 30, 2014, the District was committed under various construction contracts totaling \$87,190 for the Fritz Elementary School, \$197,600 for the high school and \$3,079,776 for the athletic stadium. Of these amounts, a total of \$272,819 was recorded in accounts payable at year end.

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, amends GASB Statement No. 68. The issue relates to amounts associated with contributions made by state or local government employer entities to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

The District will be required to record its proportionate share of the PSERS liability in its government-wide financial statements. This is expected to be a significant amount.

CONESTOGA VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) - entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a) / c)
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, 2014

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Local sources:				
Real estate taxes and penalties	\$ 38,188,982	\$ 38,188,982	\$ 38,177,793	\$ (11,189)
Other taxes and penalties	4,443,896	4,443,896	5,347,697	903,801
Investment income	125,000	125,000	114,826	(10,174)
Rent	60,000	60,000	83,035	23,035
Revenues from intermediate sources	698,412	698,412	639,598	(58,814)
Tuition	53,500	53,500	33,428	(20,072)
Other revenue	375,332	375,332	446,523	71,191
Revenues from student activities	88,000	88,000	78,007	(9,993)
Total local sources	44,033,122	44,033,122	44,920,907	887,785
State sources	10,252,539	10,252,539	10,417,134	164,595
Federal sources	2,272,830	2,272,830	2,488,227	215,397
Total revenues	56,558,491	56,558,491	57,826,268	1,267,777
Expenditures:				
Instruction:				
Regular programs	27,156,334	26,897,552	26,819,836	77,716
Special programs	6,626,509	6,428,759	6,374,729	54,030
Vocational programs	983,239	887,639	884,562	3,077
Other instructional programs	200,699	281,199	255,521	25,678
	34,966,781	34,495,149	34,334,648	160,501

(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, 2014

	Budgeted amounts		Actual budgetary activities	Variance with final budget positive (negative)
	Original	Final		
Expenditures (continued):				
Support services:				
Pupil personnel services	\$ 2,090,442	\$ 1,985,792	\$ 1,933,851	\$ 51,941
Instructional staff services	2,237,498	2,090,202	2,037,272	52,930
Administrative services	2,538,637	2,597,487	2,569,374	28,113
Pupil health	513,244	480,744	467,508	13,236
Business services	483,487	567,087	564,578	2,509
Operation and maintenance				
of plant services	4,225,492	4,115,977	4,105,066	10,911
Student transportation services	2,297,935	2,184,435	2,177,869	6,566
Central and other support services	1,183,809	1,242,709	1,237,386	5,323
	<u>15,570,544</u>	<u>15,264,433</u>	<u>15,092,904</u>	<u>171,529</u>
Operation of noninstructional services:				
Student activities	1,072,686	1,070,828	1,023,573	47,255
Community services			20,986	(20,986)
	<u>1,072,686</u>	<u>1,070,828</u>	<u>1,044,559</u>	<u>26,269</u>
Refund of prior year's revenue and miscellaneous	<u>42,099</u>	<u>15,000</u>	<u>12,059</u>	<u>2,941</u>
Capital outlay		<u>235,000</u>	<u>234,748</u>	<u>252</u>
Debt service	<u>196,304</u>	<u>112,603</u>	<u>112,096</u>	<u>507</u>
Total expenditures	<u>51,848,414</u>	<u>51,193,013</u>	<u>50,831,014</u>	<u>361,999</u>
Excess of revenues over expenditures	<u>4,710,077</u>	<u>5,365,478</u>	<u>6,995,254</u>	<u>1,629,776</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, 2014

	<u>Budgeted amounts</u>		<u>Actual budgetary activities</u>	<u>Variance with final budget positive (negative)</u>
	<u>Original</u>	<u>Final</u>		
Other financing uses:				
Interfund operating transfers	\$ 5,784,673	\$ 6,614,726	\$ 6,614,309	\$ 417
Budgetary reserve	225,000	50,348		50,348
	<u>6,009,673</u>	<u>6,665,074</u>	<u>6,614,309</u>	<u>50,765</u>
Net change in fund balances	<u>\$ (1,299,596)</u>	<u>\$ (1,299,596)</u>	380,945	<u>\$ 1,680,541</u>
Fund balances:				
July 1, 2013			<u>13,486,066</u>	
June 30, 2014			<u>\$ 13,867,011</u>	

CONESTOGA VALLEY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2014

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 community forum is conducted to obtain taxpayer comments.
3. Prior to June 30, the Pennsylvania School Code requires 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, 2014.
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, 2014

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	\$ 57,826,268
Reclassifications, athletic fund revenue not included in general fund budgetary approval	<u>8,671</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 57,834,939</u></u>
Expenditures:	
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 50,831,014
Reclassifications, athletic fund expenditures not included in general fund budgetary approval	<u>161,692</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - general fund	<u><u>\$ 50,992,706</u></u>

Eliminations in the financial statement presentation include a \$129,997 transfer from the general fund to the athletic fund.

CONESTOGA VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET – ALL NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	Athletic facilities improvement	Extra- curricular fund	Total nonmajor funds
ASSETS			
Assets:			
Investments	\$ 52,461	\$ 12,792	\$ 65,253
Other receivables, net	2,881	9,389	12,270
Total assets	\$ 55,342	\$ 22,181	\$ 77,523
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 842	\$ 3,378	\$ 4,220
Due to other funds	300		300
Total liabilities	1,142	3,378	4,520
Fund balance, assigned	54,200	18,803	73,003
Total liabilities and fund balances	\$ 55,342	\$ 22,181	\$ 77,523

CONESTOGA VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	Athletic facilities improvement	Extra- curricular fund	Total nonmajor funds
Revenues and other financing sources:			
Revenues, local sources	\$ 63,371	\$ 24,936	\$ 88,307
Investment income	4	10	14
	63,375	24,946	88,321
Total revenues and other financing sources			
Expenditures:			
Operation of noninstructional services	27,677		27,677
Capital outlay		132,824	132,824
	27,677	132,824	160,501
Total expenditures			
Net changes in fund balances	35,698	(107,878)	(72,180)
Fund balances:			
July 1, 2013	18,502	126,681	145,183
June 30, 2014	\$ 54,200	\$ 18,803	\$ 73,003

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

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, 2013	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2014
<u>U.S. Department of Agriculture:</u>										
Passed through the Pennsylvania										
Department of Education:										
Child Nutrition Cluster										
National School Lunch Program:										
	I/F	10.555	N/A	07/01/13-6/30/14	N/A	\$ 482,743		\$ 653,198	\$ 653,198	\$ 170,455
	I/F	10.555	N/A	07/01/12-6/30/13	N/A	9,429	\$ 9,429			-
	I/F	10.555	N/A	07/01/11-6/30/12	N/A		850			850
School Breakfast Program:										
	I/F	10.553	N/A	07/01/13-6/30/14	N/A	96,829		134,899	134,899	38,070
	I/F	10.553	N/A	07/01/12-6/30/13	N/A	<u>2,223</u>	<u>2,223</u>			<u>-</u>
Total passed through the Pennsylvania						591,224	12,502	788,097	788,097	209,375
Department of Education										
Passed through the Pennsylvania										
Department of Agriculture:										
National School Lunch Program, donated commodities										
	I/F	10.555	N/A	07/01/13-6/30/14	N/A	<u>92,905</u> (b)	<u>(17,470)</u> (a)	<u>93,117</u> (c)	<u>93,117</u>	<u>(17,258)</u> (d)
Total U.S. Department of Agriculture						<u>684,129</u>	<u>(4,968)</u>	<u>881,214</u>	<u>881,214</u>	<u>192,117</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	013-130096	07/17/12-09/30/13	1,183,181	381,233	137,838	243,395	243,395	-
	I/F	84.010	013-140096	07/17/13-09/30/14	1,077,415	720,945		1,040,100	1,040,100	319,155
Title II, Improving Teacher Quality:										
	I/F	84.367	020-130096	07/17/12-09/30/13	186,989	37,061	37,061			-
	I/F	84.367	020-140096	07/17/13-09/30/14	174,728	151,589		174,728	174,728	23,139
Title III, Improving Language Instruction:										
	I/F	84.365	010-130096	07/01/12-09/30/13	50,515	3,368	1,483	1,885	1,885	-
	I/F	84.365	010-140096	07/17/13-09/30/14	43,842	37,996		41,385	41,385	3,389

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2014

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, 2013	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2014
<u>U.S. Department of Education (continued):</u>										
Passed through the Pennsylvania Department of Education (continued): Striving Readers Comprehensive Literacy Grant Program:										
	I/F	84.371	143-120096	04/05/12-09/30/13	\$ 985,891	\$ 328,630	\$ 197,256	\$ 131,374	\$ 131,374	\$ -
	I/F	84.371	143-130096	07/01/13-09/30/14	849,247	636,935		755,650	755,650	118,715
Total passed through the Pennsylvania Department of Education						2,297,757	373,638	2,388,517	2,388,517	464,398
Passed through the Lancaster-Lebanon Intermediate Unit: Special Education - Grants to States: IDEA, Part B:										
	I/F	84.027	062-13-0-013	07/01/12-09/30/13	624,412	508,342	508,342			-
	I/F	84.027	062-14-0-013	07/01/13-09/30/14	598,611	134,994		598,611	598,611	463,617
IDEA-Preschool (619):										
	I/F	84.173	131-12-0-013	07/01/12-06/30/13	3,657	3,657	3,657			-
	I/F	84.173	131-13-0-013	07/01/13-06/30/14	4,901			4,901	4,901	4,901
Total passed through the Lancaster-Lebanon Intermediate Unit						646,993	511,999	603,512	603,512	468,518
Total U.S. Department of Education						2,944,750	885,637	2,992,029	2,992,029	932,916
<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	1,070	1,070			-
	I/F	93.778	N/A	07/01/13-06/30/14	15,046	15,046		15,046	15,046	-
Total U.S. Department of Health and Human Services						16,116	1,070	15,046	15,046	-
Total expenditures of federal awards						<u>\$ 3,644,995</u>	<u>\$ 881,739</u>	<u>\$ 3,888,289</u>	<u>\$ 3,888,289</u>	<u>\$ 1,125,033</u>

(continued)

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2014

Source codes:		Calculation of 25% rule (25% for low-risk auditee):	
I = Indirect funding		Total expenditures per above	<u>\$ 3,888,289</u>
F = Federal share			
CFDA = Catalog of Federal Domestic Assistance			
	84.010	Title I Grants to Local Educational Agencies	<u>\$ 1,283,495</u>
			<u>\$ 1,283,495</u>
			\$ 3,888,289 = <u>33.0%</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, 2014 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 29, 2014.

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 29, 2014



Independent Auditors' Report on Compliance for the 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 the 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 Conestoga Valley School District's major federal program for the year ended June 30, 2014. Conestoga Valley School District's major federal program is 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 Conestoga Valley School District's major federal program 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 the major federal program. However, our audit does not provide a legal determination of Conestoga Valley School District's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2014.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 29, 2014

CONESTOGA VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF AUDITORS' RESULTS (CONTINUED):

Identification of major program:

CFDA numbers

Name of federal program or cluster

84.010

Title I Grants to Local Educational Agencies

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, 2014

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