TULPEHOCKEN SCHOOL DISTRICT

TULPEHOCKEN AREA SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2015

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Tulpehocken Area School District
Bethel, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tulpehocken Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Tulpehocken Area School District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HERBEIN

Change in Accounting Principle

As described in Note 8 to the financial statements, effective July 1, 2014, the Tulpehocken Area School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, and pension and other postemployment benefits information on pages 56 through 58, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tulpehocken Area School District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
December 14, 2015

TULPEHOCKEN AREA SCHOOL DISTRICT
27 Rehrersburg Road, Bethel, PA 19507

Phone: 717-933-4611
Fax: 717-933-9724

Office of the Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

The Tulpehocken Area School District's (the "District") management discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Highlights

The District implemented GASB Statements No. 68 and 71 effective July 1, 2014. The adoption of these standards resulted in the District restating beginning net position as of July 1, 2014 in governmental activities for ($36,988,889) and the food service for ($729,933). Governmental activities net position decreased from $17,059,408 to ($19,929,481) and business-type activities net position decreased from $146,041 to ($583,892).

During the year, the District exceeded budgeted revenues by $419,534 mainly due to a record high real estate collection rate of 96.5%, higher earned income tax collections and increase tuition payments from other districts. Expenditures were very close to the budgeted amounts allowing the district to transfer $125,000 to the Capital Reserve fund and increasing the General fund balance by $82,739.

Healthcare and pension costs continue to be the most important expenses in future budgets. The district has committed $1,050,000 to help defray these future increases but the revenue stream needs to be in place each year to fund these expenses. The district has successfully managed the significant pension increases over the past few years without tapping this reserve. The 2016-2017 pension increase of 14.9% represents the last of the projected double-digit pension rate increases.

The Berks 78 Business Park is flourishing with warehousing facilities for PetSmart Inc. and Dollar General Corp. A third property was also purchased by Dermody Properties Inc. and a warehouse has been constructed. The district approved a tax incentive plan for these properties offering tax abatement incrementally over a ten-year period. The additional annual tax revenue anticipated at the end of the ten-year period is over $2 million. There is one smaller site ready for development in this business park and two new business parks progressing along I-78 in our district.

Using this Annual Report

In light of the fact that this is a very different presentation of the District's previous general-purpose financial statements, the primary focus of local government's financial statement in the past (summarized fund type information) has been discarded. The new (and clearly preferable) focus is on both the District as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the District's accountability.

Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns, which add to a total for the primary government. The focus of the Statement of Net Position (the “unrestricted net position”) is designed to be similar to a bottom line for the District and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type and component unit), which are provided by the government’s general tax and other revenues. This is intended to summarize and simplify the user’s analysis of cost of various governmental services and/or subsidy to various business-type activities and/or component units.

The governmental activities reflect the District’s basic service, including instruction, instructional support, administration, and transportation. Property taxes, earned income tax, and state subsidies finance the majority of these services. The business-type activities reflect private sector type operations (Food service), where the fee for service typically covers all or most of the cost of operation including depreciation.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than fund types. The governmental major fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

The fund financial statements also allow the government to address its fiduciary (or trust funds) summarized by type (pension, investment and private-purpose trusts). While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

While the Food Service column on the proprietary fund financial statements is the same as the business-type column at the government-wide financial statement, the governmental major funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the governmental activities column (in the government-wide statements). Adjustment between the business-type presentations (government-wide and major fund totals) will typically only occur if there is a need to redistribute excess income/loss for the Internal Service Funds to the customers (including business-type activities) and adjustments, if necessary, will be reflected on the bottom of the fund financial statements.

Government-wide Statement

Statement of Net Position

The following table reflects the condensed Statement of Net Position for 2015 compared to 2014 (restated for comparison purposes due to the implementation of GASB Statements No. 68 and No. 71):

Table 1
Condensed statement of net position
Fiscal years ended June 30, 2015 and 2014

	2015			2014 (Restated)		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and other assets	$ 8,708,158	$ 203,440	$ 8,911,598	$ 8,307,200	$ 138,888	$ 8,446,088
Capital assets	40,875,850	15,472	40,891,322	41,903,208	17,191	41,920,399
Total assets	$ 49,584,008	$ 218,912	$ 49,802,920	$ 50,210,408	$ 156,079	$ 50,366,487
Deferred outflows of resources	$ 2,741,991	$ 47,711	$ 2,789,702	$ 2,130,677	$ 39,288	$ 2,169,965
Liabilities						
Current and other liabilities	$ 5,441,738	$ 11,485	$ 5,453,223	$ 5,077,389	$ 10,038	$ 5,087,427
Long-term liabilities	64,758,812	760,588	65,519,400	67,193,177	769,221	67,962,398
Total liabilities	70,200,550	772,073	70,972,623	72,270,566	779,259	73,049,825
Deferred inflows of resources	$ 2,002,979	$ 39,281	$ 2,042,260	-	-	-
Net Position						
Net Investment in Capital Assets	13,598,875	15,472	13,614,347	12,669,577	17,191	12,686,768
Restricted	1,325,152	-	1,325,152	1,254,123	-	1,254,123
Unrestricted	(34,801,557)	(560,203)	(35,361,760)	(33,853,181)	(601,083)	(34,454,264)
Total net position	$ (19,877,530)	$ (544,731)	$ (20,422,261)	$ (19,929,481)	$ (583,892)	$ (20,513,373)

Most of the District's net position is invested in capital assets (buildings, land, and equipment) but the majority of the capital assets were financed with debt. The restricted amounts are set aside to fund future purchases or capital projects as planned by the District. See the Statement of Net Position for more detailed information.

Statement of Activities

The following table reflects the revenues and expenses for the current period.

Table 2
Changes in Net Positon
for the year ended June 30, 2015

	2015			2014		
	Governmental Activities	Business-type activities	Total	Governmental Activities	Business-type activities	Total
Revenues						
Program revenues						
Charges for services	$ 323,792	$ 370,749	$ 694,541	$ 245,912	$ 364,907	$ 610,819
Operating grants and contributions	4,929,327	435,092	5,364,419	4,405,343	410,568	4,815,911
Capital grants and contributions	498,595	-	498,595	503,101	-	503,101
General revenues						
Taxes	18,832,970	-	18,832,970	18,441,814	-	18,441,814
Grants	3,866,722	-	3,866,722	3,908,425	-	3,908,425
Other	17,096	175	17,271	6,984	128	7,112
Total revenues	28,468,502	806,016	29,274,518	27,511,579	775,603	28,287,182
Expenses						
Instruction	16,940,370	-	16,940,370	15,553,216	-	15,553,216
Instructional student support	1,831,674	-	1,831,674	1,788,654	-	1,788,654
Administrative and financial support services	2,208,260	-	2,208,260	2,107,206	-	2,107,206
Operation and maintenance of plant services	2,348,996	-	2,348,996	2,227,960	-	2,227,960
Pupil transportation	1,251,895	-	1,251,895	1,207,504	-	1,207,504
Other support services	1,034,936	-	1,034,936	1,356,266	-	1,356,266
Non-instructional services	465,724	766,855	1,232,579	466,942	726,355	1,193,297
Unallocated Depreciation expense	1,522,990	-	1,522,990	1,483,561	-	1,483,561
Interest on long-term debt	811,706	-	811,706	906,471	-	906,471
Total expenses	28,416,551	766,855	29,183,406	27,097,780	726,355	27,824,135
Increase in net position	$ 51,951	$ 39,161	$ 91,112	$ 413,799	$ 49,248	$ 463,047

The District Funds

Governmental Funds

As of the year-end, the governmental funds reported a combined fund balance of $5,261,063 which is an increase of $96,478 from the prior year. The General Fund experienced an $82,739 net increase in fund balance. The unassigned portion of the fund balance is $2,304,158 or 7.9% of budgeted 2015-2016 expenditures. The district has committed $1,250,000 for future benefit rate increases and special education.

Proprietary Fund

The cafeteria fund reported an increase in cash and investment of $59,906. This is the third year in a row with positive cash flow after many years of losses.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with the amounts actually incurred and recognized is provided on pages 54 and 55.

Current real estate taxes exceeded budget by $166,423 mainly due to increased assessments from the Bethel Business Park 78. Earned Income tax and real estate transfer taxes exceeded budget by $120,322. State and federal revenue were very close to budget.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the District had $40,891,322 invested in a variety of capital assets, which represents a net decrease (additions less retirements and depreciation) of $1,029,077 from the end of last year. Detailed information regarding capital asset activity is included in the notes to the basic financial statements.

Debt Outstanding

As of year-end, the District had $27,110,000 in debt (bonds) outstanding compared to $29,240,000 last year. This represents a decrease of $2,130,000. Detailed information regarding long-term debt activity is included in the notes to the basic financial statements.

Factors Expected to have an Effect on Future Operations

At the time of this publication, the state budget has not been passed and the amount of state revenue is still unknown. While the district has the funds to continue operations into the spring, the uncertainty of current and future state revenue makes long range planning nearly impossible. Future pension and healthcare increases remain the most significant challenge in the long-term budgeting process. Although the district has committed a significant amount of their reserves to prepare for the increases, a sustained revenue stream will be required to fund the increases over the next few years.

Revenue from the Berks 78 Business Park improvements will provide incremental tax revenue of approximately $245,000 annually for the next ten years. The school board and administration is working together effectively to analyze all expenditures, keeping the interest of the students and taxpayers in the forefront.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Tulpehocken Area School District, 27 Rehrersburg Road, Bethel, PA 19507.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 6,013,978	$ 184,550	$ 6,198,528
Taxes Receivable, Net	707,377	-	707,377
Intergovernmental Receivables	1,974,390	7,934	1,982,324
Other Receivables	5,660	258	5,918
Inventories	-	10,698	10,698
Prepaid Expenses	6,753	-	6,753
Capital Asset Not Being Depreciated:			
Land	65,136	-	65,136
Construction in Progress	85,787	-	85,787
Capital Assets, Net of Accumulated Depreciation:			
Buildings and Building Improvements	35,203,114	-	35,203,114
Site Improvements	3,817,152	-	3,817,152
Furniture and Equipment	1,704,661	15,472	1,720,133
TOTAL ASSETS	49,584,008	218,912	49,802,920
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions made Subsequent to the Measurement Date	2,583,584	47,711	2,631,295
Deferred Charge on Bond Refunding	158,407	-	158,407
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,741,991	47,711	2,789,702
LIABILITIES			
Accounts Payable	202,900	423	203,323
Accrued Salaries and Benefits	1,847,949	-	1,847,949
Payroll Deductions and Withholdings	886,684	-	886,684
Accrued Interest	93,255	-	93,255
Unearned Revenues	3,698	11,062	14,760
Noncurrent Liabilities			
Due Within One Year	2,407,252	-	2,407,252
Bonds Payable, Net	25,085,382	-	25,085,382
Long-Term Portion of Compensated Absences	721,875	-	721,875
Net Pension Liability	38,543,412	760,588	39,304,000
Other Postemployment Benefits Obligation	408,143	-	408,143
TOTAL LIABILITIES	70,200,550	772,073	70,972,623
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Expense	2,002,979	39,281	2,042,260
NET POSITION			
Net Investment in Capital Assets	13,598,875	15,472	13,614,347
Restricted for Capital Projects	1,265,321	-	1,265,321
Restricted for Other Purposes	59,831	-	59,831
Unrestricted (Deficit)	(34,801,557)	(560,203)	(35,361,760)
TOTAL NET POSITION (DEFICIT)	$ (19,877,530)	$ (544,731)	$ (20,422,261)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	$ 12,297,695	$ -	$ 1,909,257	$ -
Special	3,668,038	172,449	1,513,400	-
Vocational	735,905	109,585	65,820	5,835
Other Instructional Programs	238,011	5,025	22,391	-
Nonpublic School Programs	721	-	721	-
Total Instructional Services	16,940,370	287,059	3,511,589	5,835
Support Services:				
Pupil Personnel	921,298	-	142,587	-
Instructional Staff	910,376	-	91,778	-
Administration	1,894,989	-	134,485	-
Pupil Health	325,653	-	54,425	-
Business Services	313,271	-	21,885	-
Operation of Plant and Maintenance Services	2,348,996	18,124	98,825	-
Student Transportation Services	1,251,895	-	816,712	-
Central	687,704	-	27,157	-
Other Support Services	21,579	-	-	-
Total Support Services	8,675,761	18,124	1,387,854	-
Noninstructional Services:				
Student Activities	450,654	18,609	28,012	-
Community Services	15,070	-	1,872	-
Interest on Long-Term Debt	811,706	-	-	492,760
Unallocated Depreciation Expense	1,522,990	-	-	-
Total Noninstructional Services	2,800,420	18,609	29,884	492,760
Total Governmental Activities	28,416,551	323,792	4,929,327	498,595
Business-Type Activities:				
Food Services	766,855	370,749	435,092	-
Total Primary Government	$ 29,183,406	$ 694,541	$ 5,364,419	$ 498,595

General Revenues:
Taxes:
Property Taxes
Public Utility Realty, Earned Income, and Mercantile Tax
Grants, Subsidies, and Contributions Not Restricted for a Specific Program
Investment Earnings
Miscellaneous Income

Total General Revenues

Change in Net Position

Net Position (Deficit) - Beginning - Restated

Net Position (Deficit) - Ending

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (10,388,438)	$ -	$ (10,388,438)
(1,982,189)	-	(1,982,189)
(554,665)	-	(554,665)
(210,595)	-	(210,595)
-	-	-
(13,135,887)	-	(13,135,887)
(778,711)	-	(778,711)
(818,598)	-	(818,598)
(1,760,504)	-	(1,760,504)
(271,228)	-	(271,228)
(291,386)	-	(291,386)
(2,232,047)	-	(2,232,047)
(435,183)	-	(435,183)
(660,547)	-	(660,547)
(21,579)	-	(21,579)
(7,269,783)	-	(7,269,783)
(404,033)	-	(404,033)
(13,198)	-	(13,198)
(318,946)	-	(318,946)
(1,522,990)	-	(1,522,990)
(2,259,167)	-	(2,259,167)
(22,664,837)	-	(22,664,837)
-	38,986	38,986
(22,664,837)	38,986	(22,625,851)
17,088,394	-	17,088,394
1,744,576	-	1,744,576
3,866,722	-	3,866,722
6,121	175	6,296
10,975	-	10,975
22,716,788	175	22,716,963
51,951	39,161	91,112
(19,929,481)	(583,892)	(20,513,373)
$ (19,877,530)	$ (544,731)	$ (20,422,261)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 4,808,133	$ 1,140,611	$ 65,234	$ 6,013,978
Interfund Receivables	-	125,000	-	125,000
Taxes Receivable	717,701	-	-	717,701
Intergovernmental Receivables	1,974,390	-	-	1,974,390
Other Receivables	5,660	-	-	5,660
Prepaid Expenditures	6,753	-	-	6,753
TOTAL ASSETS	$ 7,512,637	$ 1,265,611	$ 65,234	$ 8,843,482
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund Payables	$ 125,000	$ -	$ -	$ 125,000
Accounts Payable	197,207	290	5,403	202,900
Accrued Salaries and Benefits	1,847,949	-	-	1,847,949
Payroll Deductions and Withholdings	886,684	-	-	886,684
Unearned Revenues	3,698	-	-	3,698
TOTAL LIABILITIES	3,060,538	290	5,403	3,066,231
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes	516,188	-	-	516,188
FUND BALANCES				
Nonspendable Fund Balance	6,753	-	-	6,753
Restricted Fund Balance	-	1,265,321	59,831	1,325,152
Committed Fund Balance:				
PSERS/Benefits	1,050,000	-	-	1,050,000
Special Education Program	200,000	-	-	200,000
Assigned Fund Balance	375,000	-	-	375,000
Unassigned Fund Balance	2,304,158	-	-	2,304,158
TOTAL FUND BALANCES	3,935,911	1,265,321	59,831	5,261,063
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,512,637	$ 1,265,611	$ 65,234	$ 8,843,482

TULPEHOCKEN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		$ 5,261,063
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of the assets is $58,776,467 and the accumulated depreciation is $17,900,617.		40,875,850
Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.		505,864
The net pension and other postemployment benefits obligation are not reflected on the fund financial statements.		(38,370,950)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	$ (27,110,000)	
Unamortized Bond Discount	24,061	
Unamortized Bond Premium	(349,443)	
Deferred Charge on Bond Refunding	158,407	
Accrued Interest on Bonds	(93,255)	
Compensated Absences	(779,127)	(28,149,357)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		$ (19,877,530)

TULPEHOCKEN AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

	General	Capital Projects	Nonmajor Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 18,842,659	$ 122	$ 13,034	$ 18,855,815
State Sources	8,944,082	-	-	8,944,082
Federal Sources	731,493	-	-	731,493
TOTAL REVENUES	28,518,234	122	13,034	28,531,390
EXPENDITURES				
Current				
Instructional Services	16,155,717	-	16,270	16,171,987
Support Services	8,715,966	-	137,935	8,853,901
Operation of Noninstructional Services	447,006	-	-	447,006
Capital Outlay	-	113,924	-	113,924
Debt Service				
Principal	2,250,000	-	-	2,250,000
Interest	741,806	-	148,715	890,521
TOTAL EXPENDITURES	28,310,495	113,924	302,920	28,727,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	207,739	(113,802)	(289,886)	(195,949)
OTHER FINANCING SOURCES (USES)				
Proceeds From Issuance of Refunding Bonds	-	-	8,795,000	8,795,000
Payment to Refunded Bond Escrow Agent	-	-	(8,675,000)	(8,675,000)
Premium on Refunding Bonds Issued	-	-	172,427	172,427
Transfers In	-	125,000	-	125,000
Transfers Out	(125,000)	-	-	(125,000)
TOTAL OTHER FINANCING SOURCES (USES)	(125,000)	125,000	292,427	292,427
NET CHANGE IN FUND BALANCES	82,739	11,198	2,541	96,478
FUND BALANCES - BEGINNING	3,853,172	1,254,123	57,290	5,164,585
FUND BALANCES - ENDING	$ 3,935,911	$ 1,265,321	$ 59,831	$ 5,261,063

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ 96,478
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlays	$ 495,632	
Less: Depreciation Expense	(1,522,990)	(1,027,358)
Because some taxes will not be collected for several months after the District's year-end, they are not considered as "available" revenues in the governmental funds.		(62,888)
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		
Repayment of Bond Principal	2,250,000	
Payment to Refunded Bond Escrow Agent	8,675,000	
Proceeds From Issuance of Refunding Bonds	(8,795,000)	
Premium on Refunding Bonds Issued	(172,427)	
Amortization of Bond Discount	(7,675)	
Amortization of Bond Premium	24,563	
Amortization of Deferred Charge on Bond Refunding	(17,805)	1,956,656
Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.		79,732
In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) are measured by the amounts earned during the year.		68,250
Increase in net pension liability and other postemployment benefits obligation is reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.		(1,058,919)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 51,951

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2015

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and Investments	$ 184,550
Intergovernmental Receivables	7,934
Other Receivables	258
Inventories	10,698
TOTAL CURRENT ASSETS	203,440
NONCURRENT ASSETS	
Machinery and Equipment, Net	15,472
TOTAL ASSETS	218,912
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions made Subsequent to the Measurement Date	47,711
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	423
Unearned Revenues	11,062
TOTAL CURRENT LIABILITIES	11,485
NONCURRENT LIABILITY	
Net Pension Liability	760,588
TOTAL LIABILITIES	772,073
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Expense	39,281
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	15,472
Unrestricted (Deficit)	(560,203)
TOTAL NET POSITION (DEFICIT)	$ (544,731)

TULPEHOCKEN AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

	Enterprise Fund Food Service
OPERATING REVENUES	
Food Service Revenue	$ 370,749
OPERATING EXPENSES	
Salaries	253,624
Employee Benefits	151,902
Supplies	346,551
Depreciation	1,719
Other Operating Expenses	13,059
TOTAL OPERATING EXPENSES	766,855
OPERATING LOSS	(396,106)
NONOPERATING REVENUES	
Local Sources - Earnings on Investments	175
State Sources	57,699
Federal Sources	377,393
TOTAL NONOPERATING REVENUES	435,267
CHANGE IN NET POSITION	39,161
NET POSITION (DEFICIT) - BEGINNING - RESTATED	(583,892)
NET POSITION (DEFICIT) - ENDING	$ (544,731)

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2015

	Enterprise Fund Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Users	$ 372,792
Payments to Employees for Services	(383,301)
Payments to Suppliers for Goods and Services	(289,974)
Payments for Other Operating Expenses	(13,059)
NET CASH USED FOR OPERATING ACTIVITIES	(313,542)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	57,177
Federal Sources	316,096
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	373,273
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	175
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,906
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	124,644
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 184,550

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2015

	Enterprise Fund Food Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (396,106)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,719
Donated Commodities Used	53,885
Changes in Assets and Liabilities:	
Other Receivable	152
Inventories	3,136
Pension Contributions made Subsequent to the Measurement Date	(8,423)
Accounts Payable	(444)
Unearned Revenues	1,891
Net Pension Liability	(8,633)
Deferred Pension Expense	39,281
Total Adjustments	82,564
NET CASH USED FOR OPERATING ACTIVITIES	$ (313,542)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used $53,885 of commodities from the Department of Agriculture.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2015

	Private Purpose Trust Funds (Scholarships)	Agency Fund (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and Investments	$ 15,072	$ 61,590
TOTAL ASSETS	15,072	$ 61,590
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Other Current Liabilities	-	$ 61,590
TOTAL LIABILITIES	-	$ 61,590
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	$ 15,072	

See accompanying notes.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2015

		Private Purpose Trust Funds (Scholarships)
ADDITIONS		
Contributions		$ 2,862
Earnings on Investments		10
	TOTAL ADDITIONS	2,872
DEDUCTIONS		
Scholarships		3,713
	CHANGE IN NET POSITION	(841)
NET POSITION - BEGINNING OF YEAR		15,913
	NET POSITION - END OF YEAR	$ 15,072

See accompanying notes.

Tulpehocken Area School District (the "District") is located in Berks County, Pennsylvania. The District tax base consists of the Borough of Bernville and the Townships of Bethel, Jefferson, Penn, and Tulpehocken.

The Tulpehocken Area School District is a unit established, organized, and empowered by the Commonwealth of Pennsylvania for the express purpose of carrying out, on the local level, the commonwealth's obligation of public education, as established by the constitution of the commonwealth and by the school law code of the same (Article II; Act 150, July 8, 1968).

The Tulpehocken Area School District is governed by a board of nine school directors who are residents of the school district and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and twenty-one years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

- Organizations that make up the legal District entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

- Legally separate organizations if District officials appoint a voting majority of the organizations' 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 financial 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.

  Financial benefit or burden - exists if the District (1) is entitled to the organization's resources; (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.

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

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note 11 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). The BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve BCIU's annual operating budget.

The BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. The BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use or directly benefit from services or goods provided by a given function or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the transfers between governmental funds and business-type and fiduciary funds. Elimination of these transfers would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts (scholarships). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as interfund receivables/payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. 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 revenue 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.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than the first business meeting of January, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option
Under this option, a preliminary budget must be prepared 150 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 110 days prior to the primary election. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption. The adoption must occur at least 90 days prior to the primary election.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction of PDE and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option
Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2014/15 budget transfers.

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are stated at fair value, except:

a) Nonparticipating interest earning investment contracts are recorded at amortized cost;

b) Money market investments and participating interest earning investment contracts that mature within one year of acquisition are recorded at amortized cost; and,

c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool’s share price.

2. Receivables/Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as “interfund receivables/payables.” Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Inventories and Prepaid Items

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

3. Inventories and Prepaid Items - continued

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2015, consist of the following:

Purchased food and supplies	$ 3,898
Supplies	1,208
Donated commodities	5,592
	$ 10,698

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements and prepaid expenditures in the fund financial statements. The costs of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

4. Capital Assets, Depreciation, and Amortization

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The District generally capitalizes assets with cost of $5,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than $5,000 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives, in years, for depreciable assets are as follows:

Assets	Years
Buildings	20 - 50
Building improvements	15 - 25
Site improvements	15 - 20
Furniture and equipment	3 - 20

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, which are a deferred pension contribution reported in the government-wide statement of net position and a deferred charge on bond refunding. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year-end. The contributions will be recognized as a reduction in net pension liability in the following year. A deferred charge on bond 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance – continued

5. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, deferred pension expense, relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow. The second item, unavailable revenue, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental funds, and enterprise funds financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

7. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

8. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of school directors may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District’s unassigned fund balance of the General Fund should not be less than five percent of the following year’s budgeted expenditures.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, the District’s policy places no restrictions on the order of the unrestricted fund balances used. The order of the unrestricted fund balances used for disbursements is at the discretion of the business manager.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Early Retirement Incentive

The District pays severance pay to certain long-term employees based on years of service and employee classification. This compensation is determined by eligible employee classification and paid per year of service. Administrators and professional employees receive $350 per year of service after 15 years of service. Support staff receives $150 per year of service after 20 years of service.

Unused Sick Leave

The District reimburses certain employees for unused accumulated sick leave. Reimbursement varies from $25 - $100 per day depending upon employment classification.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for meals and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Other Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with finance related legal and contractual provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net position of individual funds

Deficit Fund Balance - Proprietary Fund
For the year ended June 30, 2015, the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* created a deficiency in net position at year-end of $544,731. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by PSERS.

C. Excess of expenditures over appropriations in individual funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

D. Budgetary compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year-end; therefore, it does not have any outstanding encumbrances at June 30, 2015. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

NOTE 3 - CASH AND INVESTMENTS

The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

The carrying amount of cash and investments at June 30, 2015 consists of the following:

Petty cash	$ 471
Demand deposit accounts	455,704
Pooled cash and investments	5,819,015
	$ 6,275,190

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does have a policy for custodial credit risk on deposits. At June 30, 2015, the carrying amount of the District's deposits was $455,704 and the bank balance was $461,502. Of the bank balance, $255,777 was covered by federal depository insurance, and $205,725 was exposed to custodial credit risk but was covered by collateralization requirements in accordance with Act 72.

Investments

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

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore, shall be pledged by the depository.

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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

	Fair Value	Reconciling Items	Carrying Value
PA School District Liquid Asset Fund	$ 6,062,768	$ (243,753)	$ 5,819,015

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of $1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit.

Interest Rate Risk
The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
The District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2015, the District's investments were rated as:

Investments	Standard & Poor's
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk
The District does have a policy that would limit the amount they may invest in any one issue. All of the District's investments are issued or guaranteed by the U.S. Government and investments in mutual pools and excluded from this risk.

Custodial Credit Risk
For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at $613,031,100. In accordance with Act 1 of 2006, the District received $644,342 in property tax reduction funds for the 2014/2015 fiscal year. The District's tax rate for the year ended June 30, 2015 was 27.70 mills ($27.70 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 - January 14	10% penalty period
January 15	Lien date

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance reported as unavailable under deferred inflows of resources in the fund financial statements.

The balances at June 30, 2015 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated To be Collectible	Tax Revenue Recognized	Unavailable Revenue Taxes
Real estate	$ 611,144	$ 10,324	$ 600,820	$ 94,956	$ 516,188
Interims	3,499	-	3,499	3,499	-
Earned income	92,790	-	92,790	92,790	-
Other taxes	10,268	-	10,268	10,268	-
	$ 717,701	$ 10,324	$ 707,377	$ 201,513	$ 516,188

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following amounts were intergovernmental receivables as of June 30, 2015:

Name of Governmental Unit	General Fund	Proprietary Fund
Federal Subsidies - Title I	$ 133,890	$ -
Federal Subsidies - Title II	5,532	-
Federal Subsidies - ACCESS	193,108	-
Federal Subsidies - ACCESS Admin	7,042	-
Federal Subsidies - Food Service Program	-	7,413
Commonwealth of PA - Health	27,541	-
Commonwealth of PA - Rental	490,660	-
Commonwealth of PA - Retirement	518,298	-
Commonwealth of PA - Social Security	64,609	-
Commonwealth of PA - Transportation	9,055	-
Commonwealth of PA - Food Service Program	-	521
Berks County Intermediate Unit - IDEA Grant	245,031	-
Berks County Intermediate Unit - IDEA Grant 619	1,340	-
Berks County Intermediate Unit - E-Rate	150	-
Tuition Due from Other LEAs	278,134	-
TOTAL	$ 1,974,390	$ 7,934

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Capital assets not being depreciated:				
Land	$ 65,136	$ -	$ -	$ 65,136
Construction in progress	-	85,787	-	85,787
Total not being depreciated	65,136	85,787	-	150,923
Capital assets being depreciated:				
Buildings and building improvements	50,320,590	-	-	50,320,590
Site improvements	4,507,627	-	-	4,507,627
Furniture and equipment	3,596,046	409,845	(208,564)	3,797,327
Total being depreciated	58,424,263	409,845	(208,564)	58,625,544
Less accumulated depreciation for:				
Buildings and building improvements	13,957,640	1,159,836	-	15,117,476
Site improvements	569,842	120,633	-	690,475
Furniture and equipment	2,058,709	242,521	(208,564)	2,092,666
Total accumulated depreciation	16,586,191	1,522,990	(208,564)	17,900,617
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	41,838,072	(1,113,145)	-	40,724,927
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	$ 41,903,208	$ (1,027,358)	$ -	$ 40,875,850

Business-Type Activities

	Beginning Balance	Increase	(Reclass) Decrease	Ending Balance
Capital assets being depreciated:				
Machinery and Equipment	$ 37,692	$ -	$ -	$ 37,692
Accumulated depreciation for:				
Machinery and Equipment	20,501	1,719	-	22,220
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 17,191	$ (1,719)	$ -	$ 15,472

Depreciation expense for the year ended June 30, 2015 was charged as follows:

Unallocated Depreciation Expense - Governmental Activities	$ 1,522,990

NOTE 7 - LONG-TERM LIABILITIES

Bonds payable are as follows at June 30, 2015:

General Obligation Bond - Series of 2015A: The District is liable for general obligation bonds dated June 3, 2015, in the original amount of $3,525,000. The bonds were used to currently refund General Obligation Bonds, Series of 2010A. Principal maturities occur on September 1, 2015 through the year 2019. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 0.30% to 3.25%. The District realized savings of $63,680 as a result of the refunding.	$ 3,525,000
General Obligation Bond - Series of 2015: The District is liable for general obligation bonds dated June 3, 2015, in the original amount of $5,270,000. The bonds were used to currently refund General Obligation Bonds, Series of 2010. Principal maturities occur on September 1, 2015 through the year 2023. Interest is payable semi-annually on March 1 and September 1. Interest rates vary from 0.30% to 2.125%. The District realized savings of $467,119 as a result of the refunding.	5,270,000
General Obligation Bond - Series of 2014: The District is liable for general obligation bonds dated May 28, 2014, in the original amount of $8,300,000. The bonds were used to currently refund General Obligation Bonds, Series of 2009. Principal maturities occur on November 15, 2014 through the year 2029. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 0.25% to 4.00%. The District realized cash flow savings of $743,540 and economic savings of $605,220 as a result of the refunding.	7,890,000
General Obligation Bond - Series of 2013A: The District is liable for general obligation bonds dated July 23, 2013, in the original amount of $5,985,000. The bonds were used to currently refund General Obligation Bonds, Series A of 2008. Principal maturities occur on August 15, 2013 through the year 2020. Interest is payable semi-annually on February 15 and August 15. Interest rates vary from 0.25% to 2.00%. The District realized cash flow savings of $252,825 and economic savings of $243,074 as a result of the refunding.	4,525,000
General Obligation Bond - Series of 2013: The District is liable for general obligation bonds dated February 21, 2013, in the original amount of $7,350,000. The bonds were used to currently refund the General Obligation Bonds, Series of 2007. Principal maturities occur on November 15, 2013 through the year 2029. Interest is payable semi-annually on May 15 and November 15. Interest rates vary from 0.35% to 2.875%. The District realized cash flow savings of $925,299 and economic savings of $749,695 as a result of the refunding.	5,900,000
Total Bonds Payable	$ 27,110,000

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all bonds payable for the years ending June 30 are as follows:

	General Obligation Bonds - Series of 2015A	General Obligation Bonds - Series of 2015	General Obligation Bonds - Series of 2014	General Obligation Bonds - Series of 2013A	General Obligation Bonds - Series of 2013	Total General Long-Term Debt	Interest
2016	$ 815,000	$ 65,000	$ 415,000	$ 710,000	$ 345,000	$ 2,350,000	$ 571,849
2017	160,000	55,000	425,000	1,270,000	350,000	2,260,000	589,818
2018	925,000	70,000	440,000	610,000	355,000	2,400,000	539,618
2019	800,000	45,000	465,000	780,000	360,000	2,450,000	474,963
2020	825,000	40,000	480,000	805,000	365,000	2,515,000	407,800
2021-2025	-	4,995,000	2,630,000	350,000	1,935,000	9,910,000	1,264,244
2026-2030	-	-	3,035,000	-	2,190,000	5,225,000	410,306
	$3,525,000	$5,270,000	$ 7,890,000	$ 4,525,000	$ 5,900,000	$ 27,110,000	$ 4,258,598

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligation, for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Debt:					
Bonds payable	$ 29,240,000	$ 8,795,000	$ 10,925,000	$ 27,110,000	$ 2,350,000
Less deferred amounts:					
For issuance discounts	(68,161)	-	(44,100)	(24,061)	-
For issuance premiums	201,579	172,427	24,563	349,443	-
Subtotal	29,373,418	8,967,427	10,905,463	27,435,382	2,350,000
Other Liabilities:					
Compensated absences	847,377	228,550	296,800	779,127	57,252
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	$ 30,220,795	$ 9,195,977	$ 11,202,263	$ 28,214,509	$ 2,407,252

Payments on bonds payable are to be funded by the General Fund or debt service fund. The compensated absence liabilities will also be liquidated by the general fund. Total interest expense paid during the year ended June 30, 2015 was $890,521.

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Restatement of Beginning Net Position

Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statements No. 68, Accounting and Financial Reporting for Pensions and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, to be in conformity with generally accepted accounting principles.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for pensions. The statement also enhances note disclosure and required supplementary information for government pension plans.

Statement No. 71 establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability.

The adoption of these standards resulted in the District restating beginning net position as of July 1, 2014 in governmental activities for $36,988,889 and the food service fund for $729,933 to account for the net pension liability as of June 30, 2014 (measurement date of June 30, 2013) and deferred outflows for pension contributions made subsequent to the measurement date. Governmental Activities net position decreased from $17,059,408 to ($19,929,481) and business-type activities net position decreased from $146,041 to ($583,892).

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

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

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

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

Contributions

The contribution policy is set by the state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C) or at 7.50 percent (Membership Class T-D) of the member’s qualifying compensation.

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

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

Employer Contributions:

The District’s contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were $2,631,295 for the year ended June 30, 2015.

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2015, the contribution rate was 0.90 percent of covered payroll and the District contributed $115,520.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for approximately one-half of the employer contributions made, including contributions related to both pension and healthcare. The total reimbursement recognized by the District for the year ended June 30, 2015 was $1,366,221.

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

At June 30, 2015, the District reported a liability of $39,304,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.0993 percent, which was an increase of 0.0022 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $3,627,438. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 2,810,000
Changes in proportions	726,000	-
Difference between employer contributions and proportionate share of total contributions	41,740	-
Contributions subsequent to the measurement date	2,631,295	-
	$ 3,399,035	$ 2,810,000

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

The $2,631,295 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2016	$ 517,562
2017	517,562
2018	517,562
2019	517,574
2020	(28,000)
	$ 2,042,260

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.50 percent, includes inflation at 3.00 percent
- Salary increases - Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent, and merit or seniority increases of 1.50 percent
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

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

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

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$ 49,026,000	$ 39,304,000	$ 31,004,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2015, the District had an accrued balance due to PSERS of $1,036,595. This amount represents the District's contractually obligated contributions for wages earned in April 2015 through June 2015. The balance will be paid in September 2015.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Tulpehocken Area School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on pay as you go financing. The District currently provides medical and prescription drug coverage to the former superintendent and dental coverage to the former superintendent and spouse. The retiree contributes the PSERS premium assistance amount (currently $100 per month) and the District pays the remainder of the cost and continues until the retiree reaches the age of 65. The District also pays for $475,000 in whole life insurance coverage for the former superintendent, which continues until the retiree's death.

Under Act 110/43, any employee who is eligible; age 60 with 30 years of service, age 62 with one year of service or 35 years of service regardless of age; is allowed to continue coverage for themselves and their dependents until the member reaches Medicare age. The retiree is responsible for payment equal to the premium determined for the purposes of COBRA. For the fiscal year ended June 30, 2015, the District contributed $114,685 to the Plan related to retirees.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 204,983
Interest on net OPEB obligation	14,541
Adjustment to annual required contribution	(19,838)
Annual OPEB Cost	199,686
Contributions made (estimated)	(114,685)
Estimated increase in net OPEB obligation	85,001
Net OPEB obligation - beginning of year	323,142
Net OPEB obligation - end of year	$ 408,143

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 199,686	57.4%	$ 408,143
6/30/2014	199,816	67.0%	323,142
6/30/2013	200,742	71.8%	257,256

Funded Status and Funding Progress

As of April 1, 2014, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was $1,553,268, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,553,268. The covered payroll (annual payroll of active employees covered by the Plan) was $11,621,357, and the ratio of the UAAL to the covered payroll was 13.37 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. 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 with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

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 each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent in 2014, decreasing 0.5 percent per year to 5.5 percent in 2016. Rates gradually decreased from 5.3 percent in 2017 to 4.2 percent in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, 30-year open period.

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2015:

	Interfund Receivables	Interfund Payables
General Fund	$ -	$ 125,000
Capital Projects Fund	125,000	-
	$ 125,000	$ 125,000

Interfund receivables and payables exist as a result of the time lag between dates when payments between funds are made. All will be paid within one year.

Interfund transfers are summarized as follows at June 30, 2015:

	Transfers In	Transfers Out
General Fund	$ -	$ 125,000
Capital Projects Fund	125,000	-
	$ 125,000	$ 125,000

Transfers were made to move funds to the capital projects fund for future capital needs.

NOTE 11 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The board of directors of each participating district must approve the Center's annual operating budget. The District's share of the annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2014/15 year was $557,613.

NOTE 11 - JOINT VENTURE - CONTINUED

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued $34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2014/15 year was $95,837.

Summary financial information as of June 30, 2014 (most recent available) is as follows:

Berks Career & Technology Center (Governmental Activities)	
Total Assets and Deferred Outflows of Resources	$ 32,487,994
Total Liabilities	14,495,491
Total Net Position	$ 17,992,503

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Worker's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages of the 2014/15 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 13 - LEASE COMMITMENT

In July 2014, the District entered into an operating-type lease agreement with a company to lease computer equipment. Future annual minimum lease payments under the noncancelable operating lease are as follows for the years ending June 30:

2016	$ 62,094
2017	62,094
2018	62,094
	$ 186,282

Operating lease payments for the general fund for the year ended June 30, 2015 totaled $62,094.

NOTE 14 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies.* Fund balance classifications for the year ended June 30, 2015 are as follows:

General Fund
The general fund has nonspendable funds of $6,753 for prepaid expenditures; committed funds of $1,050,000 for retirement rate and other benefit cost increases and $200,000 for the Special Education Program; assigned funds of $375,000 for balancing the 2015/16 budget, and unassigned funds of $2,304,158. The commitments were authorized by the school board of directors' motion to set aside resources to fund anticipated increases in PSERS contributions and other benefits costs, and for special education settlements.

Capital Projects
The capital projects fund has restricted funds of $1,265,321 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 15 - FUND BALANCE - CONTINUED

Nonmajor Funds
The special revenue fund has restricted funds of $54,054, consisting of receipts that are received from sources to be used for specific purposes.

The debt service fund has restricted funds of $5,777, consisting of sinking fund cash to be used for future debt service.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 72, *Fair Value Measurement and Application* - The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement is required to be implemented by the year ended June 30, 2016.

- Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* - The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is required to be implemented by the year ended June 30, 2017.

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, A*ccounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is required to be implemented by the year ended June 30, 2018.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 77, *Tax Abatement Disclosures* - The requirements enhances the disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This statement is required to be implemented by the year ended June 30, 2017.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

TULPEHOCKEN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2015

	BUDGET		ACTUAL	VARIANCE
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Sources				
Real Estate Taxes	$ 15,544,460	$ 15,544,119	$ 15,710,542	$ 166,423
Other Taxes	2,430,633	2,430,974	2,544,751	113,777
Earnings on Investments	6,000	6,000	5,999	(1)
Revenue from Student Activities	6,700	6,700	23,634	16,934
Revenue from Intermediate Sources	220,000	220,000	246,371	26,371
Tuition	210,000	210,000	282,034	72,034
Other Revenue	17,500	17,500	29,328	11,828
State Sources	8,950,388	8,950,388	8,944,082	(6,306)
Federal Sources	713,019	713,019	731,493	18,474
TOTAL REVENUES	28,098,700	28,098,700	28,518,234	419,534
EXPENDITURES				
INSTRUCTION				
Regular Programs - Elementary/Secondary	11,703,584	11,704,584	11,647,864	56,720
Special Programs - Elementary/Secondary	3,587,216	3,587,216	3,528,091	59,125
Vocational Education Programs - Elementary/Secondary	727,845	727,845	739,188	(11,343)
Other Instructional Programs - Elementary/Secondary	225,285	225,285	239,853	(14,568)
Nonpublic School Programs	-	-	721	(721)
TOTAL INSTRUCTION	16,243,930	16,244,930	16,155,717	89,213
SUPPORT SERVICES				
Pupil Services	981,309	981,309	855,253	126,056
Instructional Staff Services	911,915	911,915	869,935	41,980
General Administration Services	1,656,325	1,656,325	1,779,842	(123,517)
Pupil Health Services	331,220	331,220	310,283	20,937
Business Services	311,023	311,023	300,833	10,190
Operation and Maintenance of Plant Services	2,241,080	2,241,080	2,270,987	(29,907)
Pupil Transportation Services	1,170,455	1,170,455	1,251,178	(80,723)
Central Services	997,402	997,402	1,056,076	(58,674)
Other Support Services	21,500	21,500	21,579	(79)
TOTAL SUPPORT SERVICES	8,622,229	8,622,229	8,715,966	(93,737)

TULPEHOCKEN AREA SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - CONTINUED

For the Year Ended June 30, 2015

	BUDGET Original	BUDGET Final	ACTUAL (GAAP Basis)	VARIANCE Final to Actual
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student Activities	$ 424,161	$ 424,161	$ 432,502	(8,341)
Community Services	16,571	15,571	14,504	1,067
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	440,732	439,732	447,006	(7,274)
DEBT SERVICE				
Principal	2,250,000	2,250,000	2,250,000	-
Interest	741,806	741,806	741,806	-
TOTAL EXPENDITURES	28,298,697	28,298,697	28,310,495	(11,798)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(199,997)	(199,997)	207,739	407,736
OTHER FINANCING SOURCES (USES)				
Transfers Out	(10,000)	(10,000)	(125,000)	(115,000)
Budgetary Reserve	(175,000)	(175,000)	-	175,000
TOTAL OTHER FINANCING SOURCES (USES)	(185,000)	(185,000)	(125,000)	60,000
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	$ (384,997)	$ (384,997)	82,739	$ 467,736
FUND BALANCE - BEGINNING OF YEAR			3,853,172	
FUND BALANCE - END OF YEAR			$ 3,935,911	

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PENSION PLAN

June 30, 2015

	2015	2014
District's proportion of the net pension liability	0.0993%	0.0971%
District's proportionate share of the net pension liability	$ 39,304,000	$ 39,749,000
District's covered-employee payroll	$ 12,670,891	$ 12,460,944
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.19%	318.99%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2014 and 2013).

Note: This schedule is to present the requirement to show information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST 10 FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 2,631,295	$ 2,030,178	$ 1,432,889	$ 999,405	$ 617,656	$ 481,376	$ 473,266	$ 742,428	$ 661,390	$ 421,655
Contributions in relation to the contractually required contribution	2,631,295	2,030,178	1,432,889	999,405	617,656	481,376	473,266	742,428	661,390	421,655
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 12,701,098	$ 12,670,891	$ 12,460,944							
Contributions as a percentage of covered-employee payroll	20.72%	16.02%	11.50%							

Note:
This schedule is to present the requirement to show information for ten years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

	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)
Eligible Employees	4/1/2014	$ -	$ 1,553,268	1,553,268	0.00%	$ 11,621,357	13.37%
Eligible Employees	4/1/2012	-	1,507,749	1,507,749	0.00%	11,307,954	13.33%
Eligible Employees	4/1/2010	-	1,358,747	1,358,747	0.00%	11,135,967	12.20%

See note to required supplementary information.

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

TULPEHOCKEN AREA SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue	Debt Service	Total Nonmajor Funds
ASSETS			
Cash and Investments	$ 59,457	$ 5,777	$ 65,234
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 5,403	$ -	$ 5,403
FUND BALANCES			
Restricted Fund Balance	54,054	5,777	59,831
TOTAL LIABILITIES AND FUND BALANCES	$ 59,457	$ 5,777	$ 65,234

TULPEHOCKEN AREA SCHOOL DISTRICT

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

For the Year Ended June 30, 2015

	Special Revenue	Debt Service	Total Nonmajor Funds
REVENUES			
Local Sources	$ 13,034	$ -	$ 13,034
EXPENDITURES			
Current			
Instructional Services	16,270	-	16,270
Support Services	-	137,935	137,935
Debt Service			
Interest	-	148,715	148,715
TOTAL EXPENDITURES	16,270	286,650	302,920
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,236)	(286,650)	(289,886)
OTHER FINANCING SOURCES (USES)			
Proceeds From Issuance of Refunding Bonds	-	8,795,000	8,795,000
Payment to Refunded Bond Escrow Agent	-	(8,675,000)	(8,675,000)
Premium on Refunding Bonds Issued	-	172,427	172,427
TOTAL OTHER FINANCING SOURCES (USES)	-	292,427	292,427
NET CHANGE IN FUND BALANCES	(3,236)	5,777	2,541
FUND BALANCES - BEGINNING	57,290	-	57,290
FUND BALANCES - ENDING	$ 54,054	$ 5,777	$ 59,831

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at July 1, 2014	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2015
U.S. Department of Education										
Passed through the Pennsylvania Department of Education:										
Title I - Grants to Local Educational Agencies	I	84.010	013-150434	07/01/14 - 09/30/15	$ 400,536	$ 180,609	$ -	$ 314,499	$ 314,499	$ 133,890
Title I - Grants to Local Educational Agencies	I	84.010	013-140434	08/06/13 - 09/30/14	363,887	156,545	35,897	120,648	120,648	-
Total Title I						337,154	35,897	435,147	435,147	133,890
Title II(a) - Improving Teacher Quality	I	84.367	020-150434	07/01/14 - 09/30/15	81,867	76,335	-	81,867	81,867	5,532
Title II(a) - Improving Teacher Quality	I	84.367	020-140434	08/06/13 - 09/30/14	81,415	(55)	(55)	-	-	-
Total Title II(a)						76,280	(55)	81,867	81,867	5,532
Title III English Language Acquisition State Grants	I	84.365	010-150434	07/01/14 - 09/30/15	13,687	3,650	-	-	-	(3,650)
Title III English Language Acquisition State Grants	I	84.365	010-140434	08/06/13 - 09/30/14	15,489	2,213	(4,425)	6,590	6,590	(48)
Total Title III						5,863	(4,425)	6,590	6,590	(3,698)
Passed through the Berks County Intermediate Unit:										
IDEA Cluster										
Special Education - Preschool Grants	I	84.173	N/A	07/01/14 - 06/30/15	1,340	-	-	1,340	1,340	1,340
Special Education - Preschool Grants	I	84.173	N/A	07/01/13 - 06/30/14	1,095	1,095	1,095	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/14 - 06/30/15	245,031	-	-	245,031	245,031	245,031
Special Education - Grants to States	I	84.027	N/A	07/01/13 - 06/30/14	235,079	235,079	235,079	-	-	-
IDEA Cluster Total						236,174	236,174	246,371	246,371	246,371
TOTAL U.S. DEPARTMENT OF EDUCATION						655,471	267,591	769,975	769,975	382,095
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Welfare:										
Medical Assistance Reimbursement for Administration, Revenue Code 8820	I	93.778	N/A	07/01/14 - 06/30/15	14,781	7,739	-	14,781	14,781	7,042
Medical Assistance Reimbursement for Administration, Revenue Code 8820	I	93.778	N/A	07/01/13 - 06/30/14	30,327	6,408	6,408	-	-	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						14,147	6,408	14,781	14,781	7,042
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through the Pennsylvania Department of Welfare:										
National School Lunch Program	I	10.555	N/A	07/01/14 - 06/30/15	256,634	250,872	-	256,634	256,634	5,762
School Breakfast program	I	10.553	N/A	07/01/14 - 06/30/15	66,875	65,224	-	66,875	66,875	1,651
Passed through the Pennsylvania Department of Agriculture:										
National School Lunch Program - Donated Commodities	I	10.555	N/A	07/01/14 - 06/30/15	50,877	50,877	(8,600)	53,885	53,885	(5,592)
TOTAL CHILD NUTRITION CLUSTER AND TOTAL U.S. DEPARTMENT OF AGRICULTURE						366,973	(8,600)	377,394	377,394	1,821
TOTAL FEDERAL AWARDS						$ 1,036,591	$ 265,399	$ 1,162,150	$ 1,162,150	$ 390,958

TULPEHOCKEN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is the same basis used for the basic financial statements.

NOTE 2 - FOOD COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the District had $5,592 of food commodity inventory.

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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

To the Board of School Directors
Tulpehocken Area School District
Bethel, 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 Tulpehocken Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Tulpehocken Area School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tulpehocken Area School District's financial statements are free of 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.

Herbein + Company, Inc.

Reading, Pennsylvania
December 14, 2015

Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of School Directors
Tulpehocken Area School District
Bethel, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Tulpehocken Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tulpehocken Area School District's major federal programs for the year ended June 30, 2015. Tulpehocken Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tulpehocken Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tulpehocken Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tulpehocken Area School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tulpehocken Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Tulpehocken Area 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 Tulpehocken Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tulpehocken Area School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
December 14, 2015

TULPEHOCKEN AREA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	____	yes	X	none reported
Noncompliance material to financial statements noted?	____	yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	____	yes	X	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____	yes	X	no

Identification of Major Program(s):

CFDA Number(s)	Name of Federal Program or Cluster
Child Nutrition Cluster	
10.555	National School Lunch Program
10.553	School Breakfast Program

Dollar threshold used to distinguish between Type A and Type B programs:		$300,000		
Auditee qualified as low-risk auditee?	X	yes	____	no

Section II - Financial Statement Findings

There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

TULPEHOCKEN AREA SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.