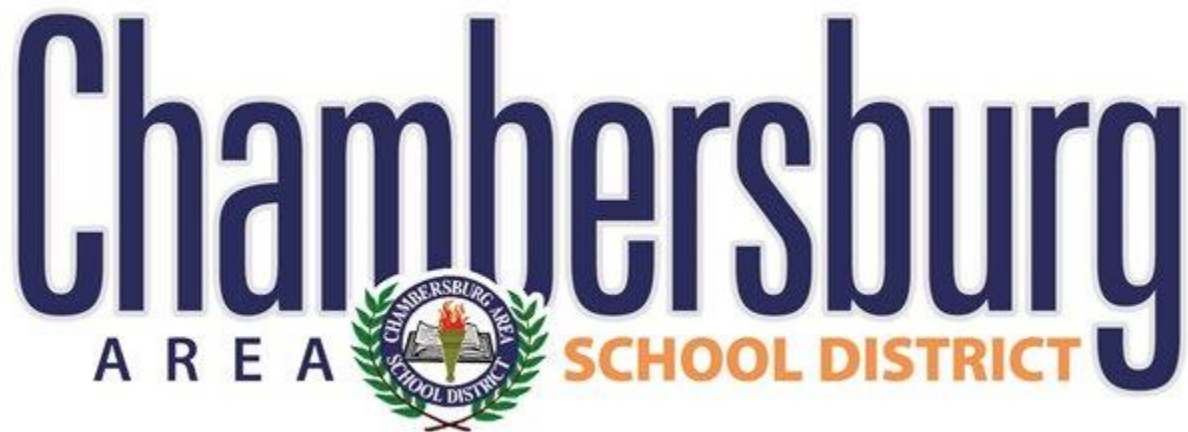


Audited  
Financial  
Statements

June 30,  
2015



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# CHAMBERSBURG AREA SCHOOL DISTRICT

## List of Report Distribution

June 30, 2015

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1 Report - Federal Audit Clearing House  
Bureau of Census  
1201 East 10th Street  
Jeffersonville, IN 47132  
**(submitted electronically)**

1 Report - Bureau of Audits  
Special Audit Services Division  
Forum Place – 8<sup>th</sup> Floor  
555 Walnut Street  
Harrisburg, PA 17101  
**(submitted electronically)**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Chambersburg Area School District  
Chambersburg, Pennsylvania

### ***REPORT ON 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 Chambersburg 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 School 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 Chambersburg 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.

## ***Emphasis-of-Matter***

As discussed in Note 14 and Note 17 to the financial statements, the School District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as of July 1, 2014. Our opinion has not been modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5-11, OPEB schedule of funding progress on page 56, the general fund budgetary comparison schedule on page 57, schedule of School District’s proportionate share of the net pension liability – PSERS on page 58, and schedule of School District’s contributions – PSERS on page 59 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 Chambersburg Area School District’s 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016 on our consideration of the Chambersburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chambersburg Area School District's internal control over financial reporting and compliance.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
March 21, 2016

# CHAMBERSBURG AREA SCHOOL DISTRICT

## Management Discussion and Analysis - Unaudited

### June 30, 2015

---

The *Management, Discussion, and Analysis* (MD&A) of the Chambersburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the School District's financial performance as a whole, although readers should review the financial statements and related notes to augment their understanding of the School District's financial performance.

#### **BACKGROUND**

---

The 2014-2015 fiscal year is the thirteenth year the School District's financial statements have been prepared in accordance with GASB 34 Accounting Standards and the ***first year in accordance with GASB 68 Accounting Standards.***

Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, proper combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities.

GASB has adopted a new standard that substantially changes the accounting and reporting for pension plans. GASB 68 seeks to improve the calculation and reporting of pension costs to provide more transparent and useful information. Governments are required to report net pension liabilities as part of the statement of net position rather than as a footnote. This results in an immediate recognition of more components of the pension expense and more extensive disclosures with ***significant negative impacts*** on the Government Wide Statement of Net Position and the Proprietary Fund – Statement of Net Position.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the School District. In the Chambersburg Area School District the cafeteria and enterprise activities are structured as business activities, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to particular expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Type Activities by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the change in fund balances of the governmental funds to the change in net position of all governmental activities.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

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Funds analyzed in this audit include:

- ◆ Major governmental activities including:
  - General Fund
  - Capital Reserve Fund
  - Capital Projects Fund
- ◆ Other funds:
  - Enterprise Funds, including Food Service Fund, CASHS Vending, School Store and Coffee Cart
  - Private Purpose Trust funds
  - Internal Service Fund - Medical Insurance
  - Agency Fund – Student activity accounts

***FINANCIAL HIGHLIGHTS***

---

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

- ◆ Total Net Position of Governmental Activities of \$ (93,901,738).
  - Negative change of \$ 150,583,680 primarily due to GASB 68 reporting requirements, which restated the June 30, 2014 net position.
- ◆ Total fund balance of all governmental funds equaled \$ 7,657,733.
- ◆ Total general fund revenues were below budget by \$ 2,909,837 or 2.42%.
- ◆ Total general fund expenses were below budget by \$ 1,664,087 or 1.37%.
- ◆ The School District had one major project under construction. The project was for additions, renovations and construction to the Marion Elementary School.
- ◆ The School District's Business Type Activities showed a decrease in net position of \$ 4,261,504 primarily due to GASB 68 reporting requirements.

***ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS  
FOR THE PAST FISCAL YEAR***

---

***Net Position*** - On June 30, 2015, the School District had total net position from governmental activities of \$ (93,901,738). This is a decrease of \$ 150,583,680 in the fiscal year. This decrease is primarily reflective of a new requirement under GASB 68 to report the School District's share of a substantially underfunded state pension system, but also a decrease in fund balance. Issues that significantly affected the net position decline in the 2014-2015 year are:

- ◆ Total capital assets decreased \$ 639,373. This is primarily due to depreciation expense exceeding purchases/capital asset additions during the year.
- ◆ Total Governmental assets and deferred outflows of resources increased \$ 22,440,934 to \$ 236,901,558 primarily due to deferred outflows related to the employee pension liability.



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

- ◆ Net increase in outstanding debt of \$ 5,830,000 which includes bond redemptions on prior bond issuances.
- ◆ Liabilities for compensated absences decreased \$ 376,386 to \$ 2,122,525. This decrease is related to experienced staff, with contractually higher grandfathered levels of compensated absence payouts, retiring. This liability has leveled substantially as more experienced staff members retired.

Table 1 summarizes the assets, liabilities, and net position of the School District as of June 30, 2015 and 2014.

**Table 1**  
**Net Position As of June 30, 2015 - (Government-Wide)**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
|--|----------------------------|-----------------------------|------------------------|
| <b>Assets and Deferred Outflow of Resources</b>      |                            |                             |                        |
| Current Assets                                       | \$ 40,764,720              | \$ 1,650,692                | \$ 42,415,412          |
| Noncurrent Assets                                    | 176,556,726                | 432,152                     | 176,988,878            |
| Deferred Outflows of Resources                       | <u>19,580,112</u>          | <u>489,864</u>              | <u>20,069,976</u>      |
| Total Assets and Deferred<br>Outflows of Resources   | <u>\$ 236,901,558</u>      | <u>\$ 2,572,708</u>         | <u>\$ 239,474,266</u>  |
| <b>Liabilities and Deferred Inflows of Resources</b> |                            |                             |                        |
| Current Liabilities                                  | \$ 20,014,190              | \$ 324,674                  | \$ 20,338,864          |
| Noncurrent Liabilities                               | 299,859,270                | 4,541,513                   | 304,400,783            |
| Deferred Inflows of Resources                        | <u>10,929,836</u>          | <u>317,712</u>              | <u>11,247,548</u>      |
| Total Liabilities                                    | <u>\$ 330,803,296</u>      | <u>\$ 5,183,899</u>         | <u>\$ 335,987,195</u>  |
| <b>Net Position</b>                                  |                            |                             |                        |
| Net Investment in Capital Assets                     | \$ 40,459,853              | \$ 432,152                  | \$ 40,892,005          |
| Restricted   | 2,667,838                  | -                           | 2,667,838              |
| Unrestricted   | <u>(137,029,429)</u>       | <u>(3,043,343)</u>          | <u>(140,072,772)</u>   |
| Total Net Position                                   | <u>\$ (93,901,738)</u>     | <u>\$ (2,611,191)</u>       | <u>\$ (96,512,929)</u> |

**Net Position As of June 30, 2014 - (Government-Wide)**

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|--|----------------------------|-----------------------------|-----------------------|
| <b>Assets</b>                                      |                            |                             |                       |
| Current Assets                                     | \$ 35,008,781              | \$ 1,588,160                | \$ 36,596,941         |
| Noncurrent Assets                                  | 177,397,245                | 481,536                     | 177,878,781           |
| Deferred Outflows of Resources                     | <u>2,054,598</u>           | <u>-</u>                    | <u>2,054,598</u>      |
| Total Assets and Deferred<br>Outflows of Resources | <u>\$ 214,460,624</u>      | <u>\$ 2,069,696</u>         | <u>\$ 216,530,320</u> |
| <b>Liabilities</b>                                 |                            |                             |                       |
| Current Liabilities                                | \$ 18,228,795              | \$ 330,069                  | \$ 18,558,864         |
| Noncurrent Liabilities                             | <u>139,549,887</u>         | <u>89,314</u>               | <u>139,639,201</u>    |
| Total Liabilities                                  | <u>\$ 157,778,682</u>      | <u>\$ 419,383</u>           | <u>\$ 158,198,065</u> |
| <b>Net Position</b>                                |                            |                             |                       |
| Net Investment in Capital Assets                   | \$ 40,343,100              | \$ 481,536                  | \$ 40,824,636         |
| Restricted   | 4,644,116                  | -                           | 4,644,116             |
| Unrestricted                                       | <u>11,694,726</u>          | <u>1,168,777</u>            | <u>12,863,503</u>     |
| Total Net Position                                 | <u>\$ 56,681,942</u>       | <u>\$ 1,650,313</u>         | <u>\$ 58,332,255</u>  |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

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Table 2 summarizes the revenues, expenses, and changes in net position of the School District for the years ended June 30, 2015 and 2014.

**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2015**  
**(Government-wide)**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>Program Revenues</b>                                 |                            |                             |                       |
| Charges for Services                                    | \$ 696,926                 | \$ 1,952,659                | \$ 2,649,585          |
| Operating Grants and Contributions                      | 20,751,370                 | 3,413,635                   | 24,165,005            |
| Capital Grants and Contributions                        | 691,539                    | -                           | 691,539               |
| <b>General Revenues</b>                                 |                            |                             |                       |
| Taxes   | 72,599,821                 | -                           | 72,599,821            |
| Grants, Subsidies and Contributions                     | 21,176,498                 | -                           | 21,176,498            |
| Investment Earnings                                     | 38,481                     | 1,303                       | 39,784                |
| Other   | 450,311                    | -                           | 450,311               |
| Gain (Loss) on sale of capital assets                   | <u>(208,185)</u>           | <u>-</u>                    | <u>(208,185)</u>      |
| Total Revenues  | <u>\$ 116,196,761</u>      | <u>\$ 5,367,597</u>         | <u>\$ 121,564,358</u> |
| <b>Program Expenses</b>                                 |                            |                             |                       |
| Instruction   | \$ 78,389,613              | \$ -                        | \$ 78,389,613         |
| Support Services  |                            |                             |                       |
| Instructional Student Support                           | 9,810,859                  | -                           | 9,810,859             |
| Administrative and Financial                            | 12,409,965                 | -                           | 12,409,965            |
| Operation and Maintenance                               | 9,567,982                  | -                           | 9,567,982             |
| Pupil Transportation                                    | 6,235,411                  | -                           | 6,235,411             |
| Community Services                                      | 376,145                    | -                           | 376,145               |
| Student Activities                                      | 1,700,126                  | -                           | 1,700,126             |
| Interest and Bond Issue Costs                           | 5,954,788                  | -                           | 5,954,788             |
| Food Service  | -                          | 5,406,145                   | 5,406,145             |
| Other Services  | <u>-</u>                   | <u>85,493</u>               | <u>85,493</u>         |
| Total Expenses  | <u>\$ 124,444,889</u>      | <u>\$ 5,491,638</u>         | <u>\$ 129,936,527</u> |
| Increase (Decrease) in Net Position<br>before Transfers | \$ (8,248,128)             | \$ (124,041)                | \$ (8,372,169)        |
| Interfund Transfers                                     |                            |                             |                       |
| Change in Net Position                                  | <u>\$ (8,248,128)</u>      | <u>\$ (124,041)</u>         | <u>\$ (8,372,169)</u> |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

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**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2014**  
**(Government-wide)**

|   | <b>Governmental</b>   | <b>Business-Type</b> | <b>Total</b>          |
|---|-----------------------|----------------------|-----------------------|
|   | <b>Activities</b>     | <b>Activities</b>    |                       |
| <b>Program Revenues</b>                                 |                       |                      |                       |
| Charges for Services                                    | \$ 581,078            | \$ 2,298,345         | \$ 2,879,423          |
| Operating Grants and Contributions                      | 18,286,923            | 3,015,864            | 21,302,787            |
| Capital Grants and Contributions                        | 764,424               | -                    | 764,424               |
| <b>General Revenues</b>                                 |                       |                      |                       |
| Taxes   | 70,380,567            | -                    | 70,380,567            |
| Grants, Subsidies and Contributions                     | 21,097,456            | -                    | 21,097,456            |
| Investment Earnings                                     | 39,667                | 1,795                | 41,462                |
| Other   | <u>361,830</u>        | -                    | <u>361,830</u>        |
| Total Revenues  | <u>\$ 111,511,945</u> | <u>\$ 5,316,004</u>  | <u>\$ 116,827,949</u> |
| <b>Program Expenses</b>                                 |                       |                      |                       |
| Instruction   | \$ 72,065,376         | \$ -                 | \$ 72,065,376         |
| Support Services  |                       |                      |                       |
| Instructional Student Support                           | 7,816,023             | -                    | 7,816,023             |
| Administrative and Financial                            | 11,180,591            | -                    | 11,180,591            |
| Operation and Maintenance                               | 8,530,817             | -                    | 8,530,817             |
| Pupil Transportation                                    | 5,992,926             | -                    | 5,992,926             |
| Community Services                                      | 341,145               | -                    | 341,145               |
| Student Activities                                      | 1,562,182             | -                    | 1,562,182             |
| Interest and Bond Issue Costs                           | 6,162,912             | -                    | 6,162,912             |
| Food Service  | -                     | 5,475,858            | 5,475,858             |
| Other Services  | <u>-</u>              | <u>97,245</u>        | <u>97,245</u>         |
| Total Expenses  | <u>\$ 113,651,972</u> | <u>\$ 5,573,103</u>  | <u>\$ 119,225,075</u> |
| Increase (Decrease) in Net Position<br>before Transfers | \$ (2,140,027)        | \$ (257,099)         | \$ (2,397,126)        |
| Interfund Transfers                                     | <u>-</u>              | <u>-</u>             | <u>-</u>              |
| Change in Net Position                                  | <u>\$ (2,140,027)</u> | <u>\$ (257,099)</u>  | <u>\$ (2,397,126)</u> |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

---

**Balance Sheet/Fund Balances** – Total fund balance of Governmental funds equaled \$ 20,433,816 as of June 30, 2015. These balances consist of:

- ◆ Capital Projects fund - \$ 10,365,153 – These funds are restricted for construction of an elementary school, a middle school cafeteria, and elementary school site upgrades.
- ◆ Capital Reserve fund - \$ 2,410,930 – The School District completed an elementary school expansion and renovation project along with various capital projects including roof repairs and security upgrades.
- ◆ General Fund - Total fund balance equals \$ 7,657,733.

As of June 30, 2015 these other funds also existed:

- ◆ Enterprise Fund (Food Service) total net position of \$ (2,846,799), which is negative due to a new requirement to report employee pension liability.
- ◆ Enterprise Fund (CASHS Vending and School Store) total net position of \$ 51,821.
- ◆ Internal Service Fund (Medical Insurance Fund) total net position \$ 4,196,079.
- ◆ Agency Fund (Student Activities) total assets \$ 240,013.
- ◆ Private Purpose Trust (Scholarship Fund) total net position of \$ 29,267.

**Budgetary Variances**

- ◆ Total General Fund Revenues were below budget by \$ 2,909,837, or 2.44%.
  - Budgetary estimates differed significantly in the following areas:
    - Real Estate Taxes - \$ 2,314,931 representing 4.15% under budget.
      - Real estate tax base growth stalled and collection percentage decreased.
    - Earned Income Taxes - \$ 188,457, representing 1.16% under budget.
      - EIT collections stalled due to a generally weaker than anticipated economy.
    - Real Estate Transfer Taxes + \$ 351,621, representing 37.01% above budget.
      - Sale of a multi-million dollar facility provided an unbudgeted revenue surge.
    - Revenue from Delinquent Taxes - \$ 225,869, representing 15.06% under budget.
      - Delinquent tax collection tends to be cyclical, with underperforming collections.
    - Rental and Sinking Fund Payments - \$ 211,243, representing 23.40% under budget.
      - Revenues are affected by the continuing Commonwealth budget impasse.
    - Transportation Subsidy - \$149,676, representing 5.42% under budget.
      - The Transportation subsidy has not moved proportionately with revenues due to increased costs to transport students not eligible for reimbursements.
    - Retirement Contribution - \$681,800, representing 12.17% under budget.
      - Revenues are affected by the continuing Commonwealth budget impasse with the final audited fiscal year subsidy delayed into the following fiscal year.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Management Discussion and Analysis - Unaudited**  
**June 30, 2015**

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- Federal Revenues are considerably higher than budget
  - CASD receives Federal allocations after the deadline to present its General Fund Budget, requiring a low-end revenue estimate to avoid over-obligating funds.
- ◆ Total General Fund Expenditures were under budget by \$ 1,664,087 or 1.37%

***SIGNIFICANT CAPITAL ACTIVITY***

---

During the 2014-2015 school year, the School District was involved in one major construction project.

***Demolition and Reconstruction of Marion Elementary School*** - In April 2015, the Chambersburg Area School District commenced a project to completely raze and reconstruct Marion Elementary School, doubling its previous capacity with fifteen classrooms and supporting facilities. This is an \$ 8.3 million project, scheduled for full occupancy in July 2016.

See Note 7 for additional details.

**Debt Administration**

As of June 30, 2015, the Chambersburg Area School District had total outstanding debt of \$ 149,047,237.

| <b>Outstanding Debt at Year End as of June 30</b> |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | <b>2013</b>           | <b>2014</b>           | <b>2015</b>           |
| Bonds and notes                                   | <u>\$ 142,303,656</u> | <u>\$ 140,847,920</u> | <u>\$ 149,047,237</u> |

See Note 9 for additional details.

***CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS***

---

There is a current condition potentially impacting the future finances of the Chambersburg Area School District.

As with all Pennsylvania school districts, the Chambersburg Area School District will see continuing significant increases to the Employer Contribution Rate for the Pennsylvania State Employee Retirement System (PSERS). The 21.40% of pay contribution rate for 2014-2015 increases to 25.84% of pay for 2015-2016. Future contribution rates are projected at 30.03%, 32.04%, 33.27%, 34.20% and 33.51% in subsequent fiscal years unless the Commonwealth of Pennsylvania approves legislation altering the current retirement system and the projected contribution rates.

***CONTACTING THE SCHOOL DISTRICT FINANCIAL MANAGEMENT***

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Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Steven Dart, Business Manager at the Chambersburg Area School District, 435 Stanley Avenue, Chambersburg, PA 17201 at (717) 263-9281.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2015**

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>   |                            |                             |                       |
| <b>Current Assets</b>   |                            |                             |                       |
| Cash and cash equivalents   | \$ 27,870,121              | \$ 776,353                  | \$ 28,646,474         |
| Investments   | 2,494,293                  | 135,638                     | 2,629,931             |
| Receivables   |                            |                             |                       |
| Taxes, net  | 1,984,198                  | -                           | 1,984,198             |
| Intergovernmental   | 8,092,588                  | 418,649                     | 8,511,237             |
| Other   | 46,823                     | 5,316                       | 52,139                |
| Prepaid items   | 192,215                    | 1,495                       | 193,710               |
| Inventories   | 84,482                     | 313,241                     | 397,723               |
| Total current assets  | <u>40,764,720</u>          | <u>1,650,692</u>            | <u>42,415,412</u>     |
| <b>Noncurrent Assets</b>  |                            |                             |                       |
| Prepaid bond insurance  | 130,743                    | -                           | 130,743               |
| Capital assets not being depreciated:                                     |                            |                             |                       |
| Land  | 6,872,414                  | -                           | 6,872,414             |
| Construction in progress  | 2,110,147                  | -                           | 2,110,147             |
| Capital assets net of accumulated depreciation:                           |                            |                             |                       |
| Site improvements, net  | 640,057                    | -                           | 640,057               |
| Buildings, net  | 164,709,170                | -                           | 164,709,170           |
| Equipment, furniture and fixtures, net                                    | 2,094,195                  | 432,152                     | 2,526,347             |
| Total noncurrent assets   | <u>176,556,726</u>         | <u>432,152</u>              | <u>176,988,878</u>    |
| <b>Total Assets</b>   | <u>217,321,446</u>         | <u>2,082,844</u>            | <u>219,404,290</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                            |                             |                       |
| Deferred outflows related to pension liability                            | 16,852,137                 | 489,864                     | 17,342,001            |
| Deferred charge on bond refunding   | 2,727,975                  | -                           | 2,727,975             |
| Total deferred outflows of resources                                      | <u>19,580,112</u>          | <u>489,864</u>              | <u>20,069,976</u>     |
| <b>Total assets and deferred outflow of resources</b>                     | <u>\$ 236,901,558</u>      | <u>\$ 2,572,708</u>         | <u>\$ 239,474,266</u> |
| <b>LIABILITIES</b>  |                            |                             |                       |
| <b>Current liabilities</b>  |                            |                             |                       |
| Internal balances   | \$ (69,246)                | \$ 69,246                   | \$ -                  |
| Accounts payable  | 3,525,589                  | 115,406                     | 3,640,995             |
| Accrued salaries and benefits/withholdings                                | 10,351,499                 | 120,651                     | 10,472,150            |
| Accrued interest  | 1,215,388                  | -                           | 1,215,388             |
| Unearned revenue  | 7,826                      | -                           | 7,826                 |
| Portion due or payable within one year:                                   |                            |                             |                       |
| General obligation bonds and notes payable                                | 4,756,422                  | -                           | 4,756,422             |
| Compensated absences  | 226,712                    | 19,371                      | 246,083               |
| Total current liabilities   | <u>20,014,190</u>          | <u>324,674</u>              | <u>20,338,864</u>     |
| <b>Noncurrent liabilities</b>   |                            |                             |                       |
| Portion due or payable after one year:                                    |                            |                             |                       |
| General obligation bonds and notes payable                                | 144,290,815                | -                           | 144,290,815           |
| Net pension obligation  | 152,889,113                | 4,444,237                   | 157,333,350           |
| OPEB liability  | 783,529                    | 21,195                      | 804,724               |
| Compensated absences  | 1,895,813                  | 76,081                      | 1,971,894             |
| Total noncurrent liabilities  | <u>299,859,270</u>         | <u>4,541,513</u>            | <u>304,400,783</u>    |
| <b>Total liabilities</b>  | <u>319,873,460</u>         | <u>4,866,187</u>            | <u>324,739,647</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                            |                             |                       |
| Deferred inflows related to pension liability                             | 10,929,836                 | 317,712                     | 11,247,548            |
| <b>NET POSITION</b>   |                            |                             |                       |
| Net investment in capital assets  | 40,459,853                 | 432,152                     | 40,892,005            |
| Restricted  | 2,667,838                  | -                           | 2,667,838             |
| Unrestricted  | <u>(137,029,429)</u>       | <u>(3,043,343)</u>          | <u>(140,072,772)</u>  |
| Total net position  | <u>(93,901,738)</u>        | <u>(2,611,191)</u>          | <u>(96,512,929)</u>   |
| <b>Total liabilities, deferred inflows of resources, and net position</b> | <u>\$ 236,901,558</u>      | <u>\$ 2,572,708</u>         | <u>\$ 239,474,266</u> |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2015**

| Functions/Programs   | Expenses              | Program Revenue      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                         |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-------------------------|
|  |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total                   |
| <b>Governmental activities:</b>  |                       |                      |                                    |                                  |   |                          |                         |
| Instruction  | \$ 78,389,613         | \$ 505,026           | \$ 14,673,575                      | \$ -                             | \$ (63,211,012)                                   | \$ -                     | \$ (63,211,012)         |
| Instructional student support  | 9,810,859             | -                    | 1,753,832                          | -                                | (8,057,027)                                       | -                        | (8,057,027)             |
| Administrative and financial support services  | 12,409,965            | 4,073                | 913,383                            | -                                | (11,492,509)                                      | -                        | (11,492,509)            |
| Operation and maintenance of plant services  | 9,567,982             | 90,472               | 508,165                            | -                                | (8,969,345)                                       | -                        | (8,969,345)             |
| Pupil transportation   | 6,235,411             | -                    | 2,684,117                          | -                                | (3,551,294)                                       | -                        | (3,551,294)             |
| Student activities   | 1,700,126             | 97,355               | 121,336                            | -                                | (1,481,435)                                       | -                        | (1,481,435)             |
| Community services   | 376,145               | -                    | 96,962                             | -                                | (279,183)   | -                        | (279,183)               |
| Interest and bond issue costs related to long-term debt                                  | 5,954,788             | -                    | -                                  | 691,539                          | (5,263,249)                                       | -                        | (5,263,249)             |
| Total governmental activities  | <u>124,444,889</u>    | <u>696,926</u>       | <u>20,751,370</u>                  | <u>691,539</u>                   | <u>(102,305,054)</u>                              | <u>-</u>                 | <u>(102,305,054)</u>    |
| <b>Business-type activities:</b>   |                       |                      |                                    |                                  |   |                          |                         |
| Food services  | 5,406,145             | 1,852,521            | 3,413,635                          | -                                | -   | (139,989)                | (139,989)               |
| Other services   | <u>85,493</u>         | <u>100,138</u>       | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>14,645</u>            | <u>14,645</u>           |
| Total primary government   | <u>\$ 129,936,527</u> | <u>\$ 2,649,585</u>  | <u>\$ 24,165,005</u>               | <u>\$ 691,539</u>                | <u>\$ (102,305,054)</u>                           | <u>\$ (125,344)</u>      | <u>\$ (102,430,398)</u> |
| <b>General revenues and transfers:</b>   |                       |                      |                                    |                                  |   |                          |                         |
| Property taxes levied for general purposes, public utility realty tax, earned income tax |                       |                      |                                    |                                  | \$ 72,599,821                                     | \$ -                     | \$ 72,599,821           |
| Grants, subsidies and contributions not restricted                                       |                       |                      |                                    |                                  | 21,176,498  | -                        | 21,176,498              |
| Investment earnings  |                       |                      |                                    |                                  | 38,481  | 1,303                    | 39,784                  |
| Miscellaneous income   |                       |                      |                                    |                                  | 450,311   | -                        | 450,311                 |
| Gain (Loss) on sale of capital assets  |                       |                      |                                    |                                  | <u>(208,185)</u>                                  | <u>-</u>                 | <u>(208,185)</u>        |
| Total general revenues and transfers   |                       |                      |                                    |                                  | <u>94,056,926</u>                                 | <u>1,303</u>             | <u>94,058,229</u>       |
| Change in net position   |                       |                      |                                    |                                  | (8,248,128)                                       | (124,041)                | (8,372,169)             |
| Net position - beginning - as restated   |                       |                      |                                    |                                  | <u>(85,653,610)</u>                               | <u>(2,487,150)</u>       | <u>(88,140,760)</u>     |
| Net position - ending  |                       |                      |                                    |                                  | <u>\$ (93,901,738)</u>                            | <u>\$ (2,611,191)</u>    | <u>\$ (96,512,929)</u>  |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2015**

|  | General Fund         | Capital<br>Projects Fund | Capital<br>Reserve Fund | Total<br>Governmental<br>Funds |
|--|----------------------|--------------------------|-------------------------|--------------------------------|
| <b>ASSETS</b>                              |                      |                          |                         |                                |
| Cash and cash equivalents                  | \$ 11,515,755        | \$ 11,220,045            | \$ 2,506,036            | \$ 25,241,836                  |
| Investments                                | 102,449              | -                        | -                       | 102,449                        |
| Taxes receivable, net                      | 1,984,198            | -                        | -                       | 1,984,198                      |
| Due from other funds                       | 137,763              | -                        | -                       | 137,763                        |
| Receivable from other governments          | 7,196,845            | -                        | -                       | 7,196,845                      |
| Other receivables                          | 46,823               | -                        | -                       | 46,823                         |
| Prepaid expenditures                       | 192,215              | -                        | -                       | 192,215                        |
| Inventories                                | 84,482               | -                        | -                       | 84,482                         |
| Total assets                               | <u>\$ 21,260,530</u> | <u>\$ 11,220,045</u>     | <u>\$ 2,506,036</u>     | <u>\$ 34,986,611</u>           |
| <b>LIABILITIES</b>                         |                      |                          |                         |                                |
| Accounts payable                           | \$ 1,636,270         | \$ 812,773               | \$ 68,708               | \$ 2,517,751                   |
| Unearned revenue                           | 7,826                | -                        | -                       | 7,826                          |
| Due to other funds                         | -                    | 42,119                   | 26,398                  | 68,517                         |
| Accrued salaries and benefits/withholdings | 10,351,499           | -                        | -                       | 10,351,499                     |
| Total liabilities                          | <u>11,995,595</u>    | <u>854,892</u>           | <u>95,106</u>           | <u>12,945,593</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                      |                          |                         |                                |
| Unavailable tax revenue                    | 1,607,202            | -                        | -                       | 1,607,202                      |
| Total deferred inflows of resources        | <u>1,607,202</u>     | <u>-</u>                 | <u>-</u>                | <u>1,607,202</u>               |
| <b>FUND BALANCES</b>                       |                      |                          |                         |                                |
| Nonspendable                               | 276,697              | -                        | -                       | 276,697                        |
| Restricted                                 | 244,887              | 10,365,153               | 2,410,930               | 13,020,970                     |
| Committed                                  | 429,912              | -                        | -                       | 429,912                        |
| Assigned                                   | 6,706,237            | -                        | -                       | 6,706,237                      |
| Unassigned                                 | -                    | -                        | -                       | -                              |
| Total fund balances                        | <u>7,657,733</u>     | <u>10,365,153</u>        | <u>2,410,930</u>        | <u>20,433,816</u>              |
| Total liabilities and fund balances        | <u>\$ 21,260,530</u> | <u>\$ 11,220,045</u>     | <u>\$ 2,506,036</u>     | <u>\$ 34,986,611</u>           |



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**Year Ended June 30, 2015**

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**Total fund balances - governmental funds** \$ 20,433,816

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

|                          |                     |             |
|--------------------------|---------------------|-------------|
| Cost of assets           | 232,253,495         |             |
| Accumulated depreciation | <u>(55,827,512)</u> |             |
|                          |                     | 176,425,983 |

An internal service fund is used by management to pay for medical insurance costs. The portion of net position of the internal service fund related to the governmental funds are included in the governmental activities in the Statement of Net Position.

4,012,291

Certain receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

2,502,945

Prepaid bond insurance is reported as an expenditure in governmental funds when the debt is first issued. The Statement of Net Position reports prepaid bond insurance as an asset.

130,743

Deferred charges on bond refundings are reported as a deferred outflow of resources in the Statement of Net Position.

2,727,975

Long-term liabilities are not due and payable in the current period and are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

|  |                     |
|--|---------------------|
| Bonds and notes payable, net of discount and premium | (149,047,237)       |
| Accrued interest on bonds                            | (1,215,388)         |
| Compensated absences                                 | (2,122,525)         |
| OPEB liability                                       | (783,529)           |
| Net pension liability                                | (152,889,113)       |
| Deferred outflows related to net pension liability   | 16,852,137          |
| Deferred inflows related to net pension liability    | <u>(10,929,836)</u> |

(300,135,491)

**Net position of governmental activities in the Statement of Net Position**

**\$ (93,901,738)**

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Governmental Funds**  
**Year Ended June 30, 2015**

|   | General Fund          | Capital Projects<br>Fund | Capital Reserve<br>Fund | Total<br>Governmental<br>Funds |
|---|-----------------------|--------------------------|-------------------------|--------------------------------|
| <b>REVENUES</b>                                       |                       |                          |                         |                                |
| Local revenues  |                       |                          |                         |                                |
| Taxes   | \$ 72,632,898         | \$ -                     | \$ -                    | \$ 72,632,898                  |
| Investment earnings                                   | 29,053                | 308                      | 3,047                   | 32,408                         |
| Revenue from intermediate sources                     | 1,293,984             | -                        | -                       | 1,293,984                      |
| Other   | 1,196,884             | -                        | -                       | 1,196,884                      |
| State sources   | 37,013,756            | -                        | -                       | 37,013,756                     |
| Federal sources                                       | 4,262,020             | -                        | -                       | 4,262,020                      |
| Total revenues  | <u>\$ 116,428,595</u> | <u>\$ 308</u>            | <u>\$ 3,047</u>         | <u>\$ 116,431,950</u>          |
| <b>EXPENDITURES</b>                                   |                       |                          |                         |                                |
| Instruction   | \$ 71,450,387         | \$ -                     | \$ -                    | \$ 71,450,387                  |
| Support services                                      | 35,850,157            | 29,380                   | 39,173                  | 35,918,710                     |
| Operation of noninstructional services                | 2,004,605             | -                        | -                       | 2,004,605                      |
| Facilities acquisition, construction and improvements | 20,000                | 2,321,532                | 1,962,549               | 4,304,081                      |
| Debt service:   |                       |                          |                         |                                |
| Principal   | 3,920,000             | -                        | -                       | 3,920,000                      |
| Interest  | 5,400,599             | -                        | -                       | 5,400,599                      |
| Bond issue costs                                      | 755,230               | 205,662                  | -                       | 960,892                        |
| Total expenditures                                    | <u>119,400,978</u>    | <u>2,556,574</u>         | <u>2,001,722</u>        | <u>123,959,274</u>             |
| Excess (deficiency) of revenues over expenditures     | <u>\$ (2,972,383)</u> | <u>\$ (2,556,266)</u>    | <u>\$ (1,998,675)</u>   | <u>\$ (7,527,324)</u>          |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                       |                          |                         |                                |
| Issuance of long term financing                       | \$ 51,120,000         | \$ 10,850,000            | \$ -                    | \$ 61,970,000                  |
| Payment to refund bonds                               | (53,583,936)          | -                        | -                       | (53,583,936)                   |
| Bond premium (discount)                               | 3,221,558             | (11,579)                 | -                       | 3,209,979                      |
| Proceeds from sale of capital assets                  | 20,040                | -                        | -                       | 20,040                         |
| Total other financing sources and uses                | <u>777,662</u>        | <u>10,838,421</u>        | <u>-</u>                | <u>11,616,083</u>              |
| Net change in fund balances                           | <u>(2,194,721)</u>    | <u>8,282,155</u>         | <u>(1,998,675)</u>      | <u>4,088,759</u>               |
| Fund balances - beginning                             | <u>9,852,454</u>      | <u>2,082,998</u>         | <u>4,409,605</u>        | <u>16,345,057</u>              |
| Fund balances - ending                                | <u>\$ 7,657,733</u>   | <u>\$ 10,365,153</u>     | <u>\$ 2,410,930</u>     | <u>\$ 20,433,816</u>           |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2015**

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**Net change in fund balances - total governmental funds** \$ 4,088,759

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays ( \$ 4,252,804 ) differed from depreciation expense ( \$ 4,663,954 ) in the current period. (411,150)

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the undepreciated cost of the capital assets sold. (228,225)

Revenue and expenses of the internal service fund are reported as proprietary activities in the fund financials, but a portion supports the governmental activities, and thus the net loss applicable to the governmental activities is: (35,043)

Governmental funds do not present certain revenues unless they are "available" to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Because certain 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. Unavailable tax revenues changed by this amount this year. (33,077)

The issuance of long term obligations (bonds, loans) provides current financial resources to governmental funds, while the repayment of principal of long term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. Repayment of debt principal is an expenditure and other financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|   |              |
|---|--------------|
| Repayment of general obligations bonds - principal  | 56,140,000   |
| Issuance of general obligation bonds/notes  | (61,970,000) |
| Issuance premium, discount, and interest expense, net of related amortization of bond related costs | (1,897,084)  |

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

|   |                    |
|---|--------------------|
| Accrued interest  | 457,744            |
| OPEB liability  | (105,178)          |
| Compensated absences  | 376,386            |
| Net pension liability and related deferred outflows and inflows | <u>(4,631,260)</u> |

**Change in net position of governmental activities** \$ (8,248,128)

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Net Position - Proprietary Funds**  
**June 30, 2015**

|   | ENTERPRISE FUNDS    |                       |                       | INTERNAL SERVICE FUND  |
|---|---------------------|-----------------------|-----------------------|------------------------|
|   | Food Service Fund   | Other Enterprise Fund | Total                 | Medical Insurance Fund |
| <b>ASSETS</b>   |                     |                       |                       |                        |
| <b>Current Assets</b>   |                     |                       |                       |                        |
| Cash and cash equivalents   | \$ 614,622          | \$ 41,339             | \$ 655,961            | \$ 2,748,677           |
| Investments   | 26,078              | -                     | 26,078                | 2,501,405              |
| Intergovernmental receivables   | 418,649             | -                     | 418,649               | -                      |
| Other receivables   | 5,312               | 4                     | 5,316                 | -                      |
| Prepaid expenses  | 1,495               | -                     | 1,495                 | -                      |
| Inventory   | <u>302,763</u>      | <u>10,478</u>         | <u>313,241</u>        | <u>-</u>               |
| Total current assets  | <u>1,368,919</u>    | <u>51,821</u>         | <u>1,420,740</u>      | <u>5,250,082</u>       |
| <b>Noncurrent Assets</b>  |                     |                       |                       |                        |
| Furniture and equipment   | 2,445,712           | -                     | 2,445,712             | -                      |
| Accumulated depreciation  | <u>(2,013,560)</u>  | <u>-</u>              | <u>(2,013,560)</u>    | <u>-</u>               |
| Total noncurrent assets   | <u>432,152</u>      | <u>-</u>              | <u>432,152</u>        | <u>-</u>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                     |                       |                       |                        |
| Deferred outflows related to pension liability  | <u>489,864</u>      | <u>-</u>              | <u>489,864</u>        | <u>-</u>               |
| Total assets and deferred outflows of resources   | <u>\$ 2,290,935</u> | <u>\$ 51,821</u>      | <u>\$ 2,342,756</u>   | <u>\$ 5,250,082</u>    |
| <b>LIABILITIES</b>  |                     |                       |                       |                        |
| <b>Current Liabilities</b>  |                     |                       |                       |                        |
| Accounts payable/accrued medical claims   | \$ 69,241           | \$ -                  | \$ 69,241             | \$ 1,054,003           |
| Accrued wages payable   | 120,651             | -                     | 120,651               | -                      |
| Due to other funds  | 69,246              | -                     | 69,246                | -                      |
| Compensated absences  | <u>19,371</u>       | <u>-</u>              | <u>19,371</u>         | <u>-</u>               |
| Total current liabilities   | <u>278,509</u>      | <u>-</u>              | <u>278,509</u>        | <u>1,054,003</u>       |
| <b>Noncurrent Liabilities</b>   |                     |                       |                       |                        |
| OPEB liability  | 21,195              | -                     | 21,195                | -                      |
| Compensated absences  | 76,081              | -                     | 76,081                | -                      |
| Net pension liability   | <u>4,444,237</u>    | <u>-</u>              | <u>4,444,237</u>      | <u>-</u>               |
| Total noncurrent liabilities  | <u>4,541,513</u>    | <u>-</u>              | <u>4,541,513</u>      | <u>-</u>               |
| Total liabilities   | <u>4,820,022</u>    | <u>-</u>              | <u>4,820,022</u>      | <u>1,054,003</u>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                       |                       |                        |
| Deferred inflows related to pension liability   | <u>317,712</u>      | <u>-</u>              | <u>317,712</u>        | <u>-</u>               |
| <b>NET POSITION</b>   |                     |                       |                       |                        |
| Net investment in capital assets  | 432,152             | -                     | 432,152               | -                      |
| Unrestricted  | <u>(3,278,951)</u>  | <u>51,821</u>         | <u>(3,227,130)</u>    | <u>4,196,079</u>       |
| Total net position  | <u>(2,846,799)</u>  | <u>51,821</u>         | <u>(2,794,978)</u>    | <u>4,196,079</u>       |
| Total liabilities, deferred inflows of resources, and net position  | <u>\$ 2,290,935</u> | <u>\$ 51,821</u>      | <u>\$ 2,342,756</u>   | <u>\$ 5,250,082</u>    |
| Net position above  |                     |                       | \$ (2,794,978)        |                        |
| Some amounts reported for business-type activities in the statement of net position are different because certain assets and liabilities of the medical insurance (internal service) fund are included with business-type activities. |                     |                       | <u>183,787</u>        |                        |
| Net position of business-type activities  |                     |                       | <u>\$ (2,611,191)</u> |                        |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Funds**  
**Year Ended June 30, 2015**

|   | <b>ENTERPRISE</b>            |                                  |                       | <b>INTERNAL<br/>SERVICE FUND</b>  |
|---|------------------------------|----------------------------------|-----------------------|-----------------------------------|
|   | <b>Food Service<br/>Fund</b> | <b>Other<br/>Enterprise Fund</b> | <b>Total</b>          | <b>Medical<br/>Insurance Fund</b> |
| <b>OPERATING REVENUES</b>   |                              |                                  |                       |                                   |
| Charges for services/insurance premiums   | \$ 1,852,521                 | \$ 100,138                       | \$ 1,952,659          | \$ 13,143,936                     |
| <b>OPERATING EXPENSES</b>   |                              |                                  |                       |                                   |
| Food and milk purchases   | 2,301,772                    | -                                | 2,301,772             | -                                 |
| Salaries  | 1,559,802                    | -                                | 1,559,802             | -                                 |
| Employee benefits   | 1,148,465                    | -                                | 1,148,465             | -                                 |
| Supplies and other  | 266,974                      | 69,193                           | 336,167               | -                                 |
| Depreciation  | 74,006                       | -                                | 74,006                | -                                 |
| Equipment rental  | -                            | 16,300                           | 16,300                | -                                 |
| Repairs and maintenance   | 53,243                       | -                                | 53,243                | -                                 |
| Insurance claims  | -                            | -                                | -                     | 12,194,812                        |
| Administrative fees and stop loss premiums  | -                            | -                                | -                     | 992,123                           |
| Total operating expenses  | <u>5,404,262</u>             | <u>85,493</u>                    | <u>5,489,755</u>      | <u>13,186,935</u>                 |
| Operating income (loss)   | <u>(3,551,741)</u>           | <u>14,645</u>                    | <u>(3,537,096)</u>    | <u>(42,999)</u>                   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                              |                                  |                       |                                   |
| Federal subsidies   | 3,045,309                    | -                                | 3,045,309             | -                                 |
| State subsidies   | 368,326                      | -                                | 368,326               | -                                 |
| Interest income   | 999                          | 27                               | 1,026                 | 6,351                             |
| Total nonoperating revenue (expenses)   | <u>3,414,634</u>             | <u>27</u>                        | <u>3,414,661</u>      | <u>6,351</u>                      |
| Change in net position  | <u>(137,107)</u>             | <u>14,672</u>                    | <u>(122,435)</u>      | <u>(36,648)</u>                   |
| Total net position - beginning, as restated   | <u>(2,709,692)</u>           | <u>37,149</u>                    | <u>(2,672,543)</u>    | <u>4,232,727</u>                  |
| Total net position - ending   | <u>\$ (2,846,799)</u>        | <u>\$ 51,821</u>                 | <u>\$ (2,794,978)</u> | <u>\$ 4,196,079</u>               |
| Change in net position above  |                              |                                  | \$ (122,435)          |                                   |
| Some amounts reported for business-type activities in the statement of net position are different because a portion of the net change of the medical insurance (internal service) fund is reported with business-type activities. |                              |                                  | <u>(1,606)</u>        |                                   |
| Change in net position of business-type activities  |                              |                                  | <u>\$ (124,041)</u>   |                                   |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended June 30, 2015**

|  | ENTERPRISE FUNDS      |                       |                       | INTERNAL SERVICE FUND  |
|--|-----------------------|-----------------------|-----------------------|------------------------|
|  | Food Service Fund     | Other Enterprise Fund | Total                 | Medical Insurance Fund |
| <b>Cash flows from operating activities</b>  |                       |                       |                       |                        |
| Cash received from sales/insurance premiums  | \$ 1,926,019          | \$ 99,534             | \$ 2,025,553          | \$ 13,143,936          |
| Cash payments to suppliers for goods/services  | (2,409,702)           | (77,981)              | (2,487,683)           | -                      |
| Cash payments to and on behalf of employees  | (2,575,417)           | -                     | (2,575,417)           | (12,956,924)           |
| Net cash provided (used) by operating activities   | <u>(3,059,100)</u>    | <u>21,553</u>         | <u>(3,037,547)</u>    | <u>187,012</u>         |
| <b>Cash flows from capital and related financing activities</b>  |                       |                       |                       |                        |
| Purchase of equipment  | (24,622)              | -                     | (24,622)              | -                      |
| <b>Cash flows from noncapital financing activities</b>   |                       |                       |                       |                        |
| Federal subsidies  | 2,836,367             | -                     | 2,836,367             | -                      |
| State subsidies  | <u>370,478</u>        | <u>-</u>              | <u>370,478</u>        | <u>-</u>               |
| Net cash provided (used) by noncapital financing activities  | <u>3,206,845</u>      | <u>-</u>              | <u>3,206,845</u>      | <u>-</u>               |
| <b>Cash flows from investing activities</b>  |                       |                       |                       |                        |
| Sale of investments  | 25,308                | -                     | 25,308                | -                      |
| Purchase of investments  | -                     | -                     | -                     | (2,500,000)            |
| Earnings on investments  | <u>998</u>            | <u>27</u>             | <u>1,025</u>          | <u>4,946</u>           |
| Net cash provided (used) by noncapital activities  | <u>26,306</u>         | <u>27</u>             | <u>26,333</u>         | <u>(2,495,054)</u>     |
| Net increase (decrease) in cash and cash equivalents   | 149,429               | 21,580                | 171,009               | (2,308,042)            |
| Cash and cash equivalents - beginning  | <u>465,193</u>        | <u>19,759</u>         | <u>484,952</u>        | <u>5,056,719</u>       |
| Cash and cash equivalents - ending   | <u>\$ 614,622</u>     | <u>\$ 41,339</u>      | <u>\$ 655,961</u>     | <u>\$ 2,748,677</u>    |
| <b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b> |                       |                       |                       |                        |
| <b>Cash flows from operating activities</b>  |                       |                       |                       |                        |
| Operating income (loss)  | \$ (3,551,741)        | \$ 14,645             | \$ (3,537,096)        | \$ (42,999)            |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:      |                       |                       |                       |                        |
| Donated food used  | 257,127               | -                     | 257,127               | -                      |
| Depreciation   | 74,006                | -                     | 74,006                | -                      |
| (Increase) decrease in:  |                       |                       |                       |                        |
| Inventory  | (45,096)              | 7,512                 | (37,584)              | -                      |
| Accounts receivable  | 73,498                | (4)                   | 73,494                | -                      |
| Prepaid expense  | 5,390                 | -                     | 5,390                 | -                      |
| Increase (decrease) in:  |                       |                       |                       |                        |
| Compensated absences   | 2,204                 | -                     | 2,204                 | -                      |
| OPEB liability   | 3,076                 | -                     | 3,076                 | -                      |
| Net pension liability and related items  | 134,623               | -                     | 134,623               | -                      |
| Due to other funds   | (12,371)              | -                     | (12,371)              | -                      |
| Unearned revenues  | -                     | (600)                 | -                     | -                      |
| Accrued wages payable  | 5,318                 | -                     | 5,318                 | -                      |
| Accounts payable   | (5,134)               | -                     | (5,134)               | 230,011                |
| Total adjustments  | <u>492,641</u>        | <u>6,908</u>          | <u>499,549</u>        | <u>230,011</u>         |
| Net cash provided (used) by operating activities   | <u>\$ (3,059,100)</u> | <u>\$ 21,553</u>      | <u>\$ (3,037,547)</u> | <u>\$ 187,012</u>      |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**June 30, 2015**

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|                                    | <b>Agency Fund</b> | <b>Private Purpose<br/>Trust Fund</b> |
|------------------------------------|--------------------|---------------------------------------|
| <b>ASSETS</b>                      |                    |                                       |
| Cash and cash equivalents          | \$ 240,013         | \$ 1,561                              |
| Investments                        | -                  | 27,706                                |
| Total assets                       | <u>\$ 240,013</u>  | <u>\$ 29,267</u>                      |
| <b>LIABILITIES</b>                 |                    |                                       |
| Due to student groups              | <u>\$ 240,013</u>  | <u>\$ -</u>                           |
| <b>NET POSITION</b>                |                    |                                       |
| Held in trust for scholarships     | <u>-</u>           | <u>29,267</u>                         |
| Total liabilities and net position | <u>\$ 240,013</u>  | <u>\$ 29,267</u>                      |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2015**

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|                                | <b>Private<br/>Purpose<br/>Trust Fund</b> |
|--------------------------------|---|
| <b>ADDITIONS</b>               |   |
| Donations                      | \$ -                                      |
| Interest income                | 335                                       |
| Total additions                | <u>335</u>                                |
| <b>DEDUCTIONS</b>              |   |
| Scholarships and awards/grants | <u>50</u>                                 |
| Total deductions               | <u>50</u>                                 |
| Change in net position         | 285                                       |
| Net position - beginning       | <u>28,982</u>                             |
| Net position - ending          | <u>\$ 29,267</u>                          |



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Nature of Operations***

Chambersburg Area School District (School District) operates a public school system which is geographically comprised of the Borough of Chambersburg and Townships of Greene, Guilford, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

The School District consists of Chambersburg Area Senior High School; Chambersburg Career Magnet School; Chambersburg Area Middle School North; Chambersburg Area Middle School South; and the Andrew Buchanan, Benjamin Chambers, Falling Spring, Fayetteville, Grandview, Guilford Hills, Hamilton Heights, Lurgan, Marion, New Franklin, Scotland, South Hamilton, and Thaddeus Stevens Elementary Schools; as well as the School District Administration Office.

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

***Reporting Entity***

Governmental Accounting Standards Board (GASB) Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criterion, there are no organizations that are considered component units of the School District. The School District is not a component unit of any other entities.

The following joint ventures are not component units of Chambersburg Area School District and are not included in this report.

***Franklin County Career and Technology Center*** - is a separate legal entity organized by five local school districts to provide services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership and the operating agreement. Each school district has an ongoing financial responsibility to fund the Center's operations.

***Franklin Learning Center*** - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership by each school district. Each school district has an ongoing financial responsibility to fund the Center's operations.

***Lincoln Intermediate Unit #12*** - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Reporting Entity (Continued)***

Complete financial statements for each of the entities described above can be obtained from each respective administrative office. The School District has no equity interest in any of the above joint ventures.

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

a. General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property taxes and earned income taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration of the School District, and certain noninstructional services are accounted for in this fund. This is a legally budgeted fund, and any unrestricted fund balances are considered as resources available for use.

b. Capital Reserve Fund

This fund is authorized under Pennsylvania Local Government Unit Debt Act, 53 Pa. C. S., Section 8001 et seq., as amended, and accounts for monies transferred during any fiscal year from appropriations. These funds must be used for capital improvements.

c. Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**2. Proprietary Funds**

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following funds are utilized:

*Food Service Fund – Enterprise Fund – Major Fund*

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food, goods or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

*CASHS Enterprise Fund – Enterprise Fund - Non-Major Fund*

This fund is used to account for the operations of the vending machines, coffee cart, and school store.

*Medical Insurance Fund – Internal Service Fund*

This fund is used to account for resources, derived primarily from premiums collected from other funds, for payment of medical insurance premiums.

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity Funds are classified as Agency Funds.

***Basis of Presentation***

***Government-wide Financial Statements*** - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Presentation (Continued)***

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** - Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds (if applicable) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

***Basis of Accounting***

The government-wide, proprietary, and fiduciary fund 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting (Continued)***

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, including charges for meals, insurance coverage, and the costs of food, salaries and benefits, depreciation, insurance premiums, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

***Inventory***

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statements and the asset (valued at cost) at June 30 is offset by nonspendable fund balance. Governmental fund supplies inventories are capitalized at cost and expensed as used on the government-wide financial statements.

***Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$ 2,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized unless it is incurred in a proprietary fund.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

|   | <b>Governmental<br/>Activities<br/>Estimated Lives</b> | <b>Business-Type<br/>Activities<br/>Estimated Lives</b> |
|---|--|---|
| Site improvements                       | 20 years   | N/A   |
| Buildings                               | 50 years   | N/A   |
| EDP Equipment                           | 5 years  | N/A   |
| Other equipment, furniture and fixtures | 5 - 20 years   | 5 - 20 years  |

***Deferred Outflows and Inflows of Resources***

In addition to assets, the statement of net 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) until then. The School District has several items that qualify for reporting in this category, including the deferred charge on bond refunding, employer contributions made for the School's share of the pension plan after the measurement date of the pension plan, and amounts deferred due to differences between the employer contributions and the proportionate share of total contributions. These amounts will be amortized in future periods.

The deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or balance sheet 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reports unavailable tax revenue that is reported as deferred inflows of resources on the governmental funds balance sheet. The School District reports the net difference between projected and actual earnings on the School District's proportionate share of the pension plan investments as deferred inflows of resources on the statement of net position.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Interfund Activity/Internal Balances***

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

***Budgets and Budgetary Accounting***

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Directors, which authorize the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal funding agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for capital improvements in the Capital Reserve Fund or Capital Projects Fund. All transactions of the Capital Reserve Fund and Capital Project Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

***Use of Estimates***

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Cash, Cash Equivalents, and Investments***

Cash and cash equivalents includes all demand deposits, petty cash, savings, money market accounts, certificates of deposit with an original maturity of three months or less. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the statement of net position/balance sheet.

***Statement of Cash Flows***

For purposes of the statement of cash flows for all proprietary funds, the School District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements.

Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

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

***Retirement Plans***

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of the GASB Standards, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

For purposes of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Compensated Absences***

Liability for compensated absences is accounted for in accordance with the standards of the GASB, which requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

The estimated liability for accumulated unpaid sick leave has been calculated using the vesting method in accordance with the provisions of the GASB. Under that method, the School District has identified the accrued sick leave benefit earned to date by each employee, determined the cost of that benefit by reference to the benefit provisions and the current rates paid by the School District, and estimated the probability of the payment of that benefit to employees upon retirement.

Payments for vacation, sick pay, and personal leave are expensed as paid in the governmental fund financial statements.

Liabilities for vested, unused vacation, sick pay, and personal leave are recorded in the proprietary funds and the government-wide financial statements, and are expensed as incurred.

***Other Postemployment Benefits Other Than Pensions***

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid by the retirees, the School District is providing an implicit rate subsidy to its retirees. In addition, the current superintendent as well as Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are detailed in Note 11 and are financed on a pay-as-you-go basis.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

***Net Position – Government-wide Financial Statements/Proprietary Funds***

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

***Net Investment in Capital Assets:*** This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position – Government-wide Financial Statements/Proprietary Funds  
(Continued)***

***Restricted:*** This component consists of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

As of June 30, 2015, restricted net position in governmental activities consists of the following:

|   |                     |
|---|---------------------|
| Restricted for tax appeals                  | \$ 222,230          |
| Restricted for unspent donations and grants | 22,657              |
| Restricted for future capital projects      | <u>2,422,951</u>    |
|   | <u>\$ 2,667,838</u> |

***Unrestricted:*** This component consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance – Governmental Fund Financial Statements***

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long term amount of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

***Restricted:*** This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or mandate payment and includes a legally enforceable requirement on the use of these funds.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Fund Financial Statements (Continued)***

***Committed:*** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

***Assigned:*** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School District's Board, or a subordinate high-level body, such as the finance committee, superintendent, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the School Board has authorized the business manager or finance committee to make assignments of fund balance. Thus these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

***Unassigned:*** This classification represents the portion of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

***Minimum Fund Balance Policy***

The School District strives to maintain an unassigned general fund balance of not less than four percent (4%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of portions including committed, assigned, and unassigned, may exceed eight percent (8%) of budgeted expenditures.

If the unassigned portion of the fund balance falls below the threshold of four percent (4%), the Board will pursue variations of increasing revenues and decreasing expenditures or a combination of both until four percent (4%) is attained. If the assigned and unassigned portions of the fund balance exceeds eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for nonrecurring expenditures only.

***Policy Regarding Order of Spending***

When fund balance resources are available for a specific purpose in multiple classifications, the District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed. Assigned or committed resources would only be used upon specific authorization by the School Board or the Business Manager in the case of assigned fund balance.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 2 CASH AND INVESTMENTS**

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Section 440.1 of the Pennsylvania School Code authorizes the School District to invest in the following:

- U.S. Treasury Bills.
- Short term obligations of the U.S. Government and Federal agencies.
- Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions.
- General obligations of the Federal Government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision as long as the obligations are backed by the full faith and credit of the respective governmental entity.
- Shares of investment companies whose investments are restricted to the above categories.

***Custodial Credit Risk - Deposits***

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 School District does not have a policy for custodial credit risk. As of June 30, 2015, the School District has a bank balance of \$ 17,540,628 (including long-term certificates of deposit of \$ 156,233, which are classified as investments for the basic financial statements). Of this balance, \$ 406,316 is covered by FDIC insurance and the remaining balance of \$ 17,134,312 is uninsured and collateralized by collateral held by the pledging bank's trust department, but not in the School District's name.

Included in the totals above are certificates of deposit (CD's) in the amount of \$ 2,660,551 which are held with local banks. These CD's had an original maturity greater than 90 days and are classified as investments in the financial statements.

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

***Investments***

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

| <b>Investment</b>                        | <b>Fair Value</b> | <b>Maturities</b> |
|--|-------------------|-------------------|
| PA Local Government Investment Trust ARM | \$ 12,319,199     | < 1 year          |
| Negotiable certificates of deposit       | \$ 2,002,556      | < 1 year          |
| Negotiable certificates of deposit       | \$ 501,679        | 1 – 5 years       |

The investments in PLGIT-ARM are considered cash equivalents for financial reporting purposes, while the negotiable certificates of deposit are considered investments for financial reporting purposes. The PLGIT-ARM account and negotiable certificates of deposit are not rated.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

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***Interest Rate Risk***

The School District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments in Pennsylvania Local Government Investment Trust (PLGIT) are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

***Custodial Credit Risk – Investments***

Of the \$ 2,504,235 School District’s negotiable certificates of deposit, \$ 2,500,000 are covered by FDIC insurance since they are held in the name of the School District.

***Credit Risk – Investments***

Included in cash and cash equivalents are pooled investments (described above) in the Pennsylvania Local Government Investment Trust (PLGIT). All these funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. PLGIT deposits were invested by PLGIT directly in portfolios of securities which are held by a third party custodian. The School District is exposed to custodial credit risk because the collateral securities held by PLGIT’s agents are not in the School District’s name. At June 30, 2015, the School District’s investments in PLGIT were all rated AAAM by Standard and Poor’s Investors Service.

***Concentration of Credit Risk***

The School District places no limit on the amount it may invest in any one issuer. More than 5% of the School District’s investments were in PLGIT.

**NOTE 3 TAXES**

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The School District collects property taxes, earned income taxes, and other taxes and fees primarily from taxpayers located in the Borough of Chambersburg and the Townships of Guilford, Greene, Hamilton, Letterkenny, and Lurgan in Franklin County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

|          |                          |
|----------|--------------------------|
| Discount | July 1 - August 31       |
| Face     | September 1 - October 31 |
| Penalty  | November 1 - January 15  |

After January 15, the bills are considered delinquent and turned over to the Franklin County Tax Claim Bureau for collection.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

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Taxes receivable and related deferred inflows of resources in the fund financial statements consist of the following as of June 30, 2015:

|  |                     |
|--|---------------------|
| Real estate taxes receivable   | \$ 1,984,198        |
| Taxes collected within sixty days, recorded as revenues in governmental funds                                      | <u>(376,996)</u>    |
| Taxes estimated to be collected after sixty days, recorded as deferred inflows of resources in governmental funds. | <u>\$ 1,607,202</u> |

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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Interfund receivables/payables consist of the following at June 30, 2015:

| <u>Funds</u>     | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|------------------|---------------------------------|------------------------------|
| General          | \$ 137,763                      | \$ -                         |
| Capital Projects | -                               | 42,119                       |
| Capital Reserve  | -                               | 26,398                       |
| Food Service     | -                               | 69,246                       |
|                  | <u>\$ 137,763</u>               | <u>\$ 137,763</u>            |

The Capital Projects Fund owed the General Fund for reimbursement of invoices paid for by the General Fund and for a portion of the construction manager's salary. The Capital Reserve Fund owed the General Fund for a portion of the construction manager's salary. The Food Service Fund owed the General Fund for expenses paid for by the General Fund on behalf of the Food Service Fund.

There were no interfund transfers during the year ended June 30, 2015.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at June 30, 2015 consist of the following:

|  |                               |    |                  |
|--|-------------------------------|----|------------------|
| Local:   | EIT                           | \$ | 3,576,496        |
|  | Deed transfer                 |    | 123,649          |
|  | Local services tax            |    | 52,249           |
|  | Non-resident tuition          |    | 277,786          |
|  | Lincoln Intermediate Unit #12 |    | 85,419           |
|  | Miscellaneous                 |    | 11,982           |
| State:   | Social Security               |    | 273,144          |
|  | Retirement                    |    | 2,161,586        |
|  | Extra grants                  |    | 40,744           |
| Federal:   | Grants                        |    | <u>593,790</u>   |
| Total governmental funds   |                               |    | 7,196,845        |
| Additional EIT receivable recorded for amount earned but unavailable as of June 30, 2015 |                               |    | <u>895,743</u>   |
| Total governmental activities  |                               | \$ | <u>8,092,588</u> |

**NOTE 7 CAPITAL ASSETS**

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2015:

|                                    | <u>Beginning Balance</u> | <u>Additions</u>    | <u>Deductions</u>     | <u>Ending Balance</u> |
|------------------------------------|--------------------------|---------------------|-----------------------|-----------------------|
| <b>Governmental Activities:</b>    |                          |                     |                       |                       |
| Cost:                              |                          |                     |                       |                       |
| Assets not being depreciated:      |                          |                     |                       |                       |
| Land                               | \$ 6,873,433             | \$ -                | \$ (1,019)            | \$ 6,872,414          |
| Construction in process            | 6,046,949                | 3,956,592           | (7,893,394)           | 2,110,147             |
| Assets being depreciated:          |                          |                     |                       |                       |
| Site improvements                  | 5,201,352                | 39,207              | -                     | 5,240,559             |
| Buildings                          | 197,192,725              | 7,499,578           | (250,739)             | 204,441,564           |
| Equipment, furniture, and fixtures | <u>13,658,320</u>        | <u>534,754</u>      | <u>(604,263)</u>      | <u>13,588,811</u>     |
| Total cost                         | <u>228,972,779</u>       | <u>12,030,131</u>   | <u>(8,749,415)</u>    | <u>232,253,495</u>    |
| Less accumulated depreciation:     |                          |                     |                       |                       |
| Site improvements                  | (4,477,188)              | (123,314)           | -                     | (4,600,502)           |
| Buildings                          | (36,004,985)             | (3,976,635)         | 249,226               | (39,732,394)          |
| Equipment, furniture, and fixtures | <u>(11,425,248)</u>      | <u>(564,005)</u>    | <u>494,637</u>        | <u>(11,494,616)</u>   |
| Total accumulated depreciation     | <u>(51,907,421)</u>      | <u>(4,663,954)</u>  | <u>743,863</u>        | <u>(55,827,512)</u>   |
| Capital assets, net                | <u>\$ 177,065,358</u>    | <u>\$ 7,366,177</u> | <u>\$ (8,005,552)</u> | <u>\$ 176,425,983</u> |
| <b>Business-Type Activities:</b>   |                          |                     |                       |                       |
| Cost:                              |                          |                     |                       |                       |
| Equipment, furniture and fixtures  | \$ 2,422,160             | \$ 24,622           | \$ (1,070)            | \$ 2,445,712          |
| Less accumulated depreciation      | <u>(1,940,624)</u>       | <u>(74,006)</u>     | <u>1,070</u>          | <u>(2,013,560)</u>    |
| Capital assets, net                | <u>\$ 481,536</u>        | <u>\$ (49,384)</u>  | <u>\$ -</u>           | <u>\$ 432,152</u>     |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 7 CAPITAL ASSETS (CONTINUED)**

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

|   |                     |
|---|---------------------|
| Instruction                                   | \$ 3,886,424        |
| Instructional student support                 | 126,596             |
| Administrative and financial support services | 360,212             |
| Operation and maintenance of plant services   | 210,190             |
| Pupil transportation                          | <u>80,532</u>       |
|   | <u>\$ 4,663,954</u> |

The construction in progress consists of the following:

|                  |                     |
|------------------|---------------------|
| Marion           | \$ 1,539,073        |
| South Hamilton   | 238,551             |
| Various projects | <u>332,523</u>      |
| Total            | <u>\$ 2,110,147</u> |

See Note 15 for additional details on commitments.

**NOTE 8 ACCRUED SALARIES AND BENEFITS/WITHHOLDINGS**

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Accrued salaries and benefits/withholdings consist of the following as of June 30, 2015:

|                    | <b>General<br/>Fund</b> | <b>Food Services<br/>Fund</b> |
|--------------------|-------------------------|-------------------------------|
| Accrued salaries   | \$ 5,236,177            | \$ 92,916                     |
| Retirement         | 4,323,172               | 19,884                        |
| Social security    | 366,336                 | 7,108                         |
| Other withholdings | <u>425,814</u>          | <u>743</u>                    |
|                    | <u>\$ 10,351,499</u>    | <u>\$ 120,651</u>             |



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 LONG-TERM LIABILITIES**

|   | <b>Beginning<br/>Balance</b> | <b>Additions</b>            | <b>Reductions</b>             | <b>Ending Balance</b>        | <b>Current Portion</b>     | <b>Long-term<br/>Portion</b> |
|---|------------------------------|-----------------------------|-------------------------------|------------------------------|----------------------------|------------------------------|
| <b>Governmental Activities:</b>         |                              |                             |                               |                              |                            |                              |
| General obligation bonds/notes payable: |                              |                             |                               |                              |                            |                              |
| (A) Series of 2005 A                    | \$ 24,565,000                | \$ -                        | \$ (24,565,000)               | \$ -                         | \$ -                       | \$ -                         |
| (B) Series of 2007                      | 13,970,000                   | -                           | (13,970,000)                  | -                            | -                          | -                            |
| (C) Series of 2009                      | 19,980,000                   | -                           | (5,000)                       | 19,975,000                   | 5,000                      | 19,970,000                   |
| (D) Series of 2010                      | 470,000                      | -                           | (230,000)                     | 240,000                      | 240,000                    | -                            |
| (E) Series of 2010 A                    | 15,235,000                   | -                           | (15,235,000)                  | -                            | -                          | -                            |
| (F) Series of 2010 AA                   | 10,100,000                   | -                           | (580,000)                     | 9,520,000                    | 590,000                    | 8,930,000                    |
| (G) Series of 2011                      | 10,415,000                   | -                           | (5,000)                       | 10,410,000                   | 5,000                      | 10,405,000                   |
| (H) Series of 2012                      | 9,135,000                    | -                           | (620,000)                     | 8,515,000                    | 625,000                    | 7,890,000                    |
| (I) Series of 2013                      | 9,920,000                    | -                           | (5,000)                       | 9,915,000                    | 5,000                      | 9,910,000                    |
| (J) Series of 2013 A                    | 9,540,000                    | -                           | (5,000)                       | 9,535,000                    | 100,000                    | 9,435,000                    |
| (K) Series of 2014                      | 7,290,000                    | -                           | (685,000)                     | 6,605,000                    | 700,000                    | 5,905,000                    |
| (L) Series of 2014 A                    | 9,200,000                    | -                           | (235,000)                     | 8,965,000                    | 5,000                      | 8,960,000                    |
| (M) Series of 2014 AA                   | -                            | 9,995,000                   | -                             | 9,995,000                    | 5,000                      | 9,990,000                    |
| (N) Series of 2015 A                    | -                            | 41,125,000                  | -                             | 41,125,000                   | 2,205,000                  | 38,920,000                   |
| (O) Series of 2015 AA                   | -                            | 10,850,000                  | -                             | 10,850,000                   | -                          | 10,850,000                   |
| Unamortized bond<br>premium/(discount)  | <u>1,027,920</u>             | <u>3,045,528</u>            | <u>(676,211)</u>              | <u>3,397,237</u>             | <u>271,422</u>             | <u>3,125,815</u>             |
| Subtotal - bonds/notes                  | <u>140,847,920</u>           | <u>65,015,528</u>           | <u>(56,816,211)</u>           | <u>149,047,237</u>           | <u>4,756,422</u>           | <u>144,290,815</u>           |
| Compensated absences:                   |                              |                             |                               |                              |                            |                              |
| Vacation leave                          | 409,031                      | 605,877                     | (701,910)                     | 312,998                      | 33,432                     | 279,566                      |
| Personal leave                          | 105,808                      | 142,280                     | (134,234)                     | 113,854                      | 12,161                     | 101,693                      |
| Sick leave                              | <u>1,984,072</u>             | <u>552,081</u>              | <u>(840,480)</u>              | <u>1,695,673</u>             | <u>181,119</u>             | <u>1,514,554</u>             |
| Subtotal - compensated absences         | <u>2,498,911</u>             | <u>1,300,238</u>            | <u>(1,676,624)</u>            | <u>2,122,525</u>             | <u>226,712</u>             | <u>1,895,813</u>             |
| <b>Total long-term liabilities</b>      | <b>\$ <u>143,346,831</u></b> | <b>\$ <u>66,315,766</u></b> | <b>\$ <u>(58,492,835)</u></b> | <b>\$ <u>151,169,762</u></b> | <b>\$ <u>4,983,134</u></b> | <b>\$ <u>146,186,628</u></b> |
| <b>Business-Type Activities:</b>        |                              |                             |                               |                              |                            |                              |
| Compensated absences:                   |                              |                             |                               |                              |                            |                              |
| Vacation leave                          | \$ 13,611                    | \$ 9,709                    | \$ (12,970)                   | \$ 10,350                    | \$ 10,350                  | \$ -                         |
| Sick leave                              | <u>79,636</u>                | <u>65,508</u>               | <u>(60,042)</u>               | <u>85,102</u>                | <u>9,021</u>               | <u>76,081</u>                |
| <b>Total long-term liabilities</b>      | <b>\$ <u>93,247</u></b>      | <b>\$ <u>75,217</u></b>     | <b>\$ <u>(73,012)</u></b>     | <b>\$ <u>95,452</u></b>      | <b>\$ <u>19,371</u></b>    | <b>\$ <u>76,081</u></b>      |

(A) On November 15, 2005, the School District issued \$ 34,485,000 of general obligation bonds – Series of 2005A. The proceeds were used to finance the costs of designing and constructing three new elementary schools, upgrading the existing high school stadium, purchasing land for a new high school, and to pay the costs of issuing and insuring the bonds. The bonds were currently refunded with the issuance of the general obligation bonds – Series of 2015A.

(B) On July 15, 2007, the School District issued \$ 31,700,000 of general obligation bonds – Series of 2007. The proceeds were used to finance the costs of constructing the Gordy Elementary School, designing and constructing a new high school, and to pay the costs of issuing and insuring the bonds. These bonds were partially refunded with the issuance of the Series of 2013A and 2014A bonds. The remaining bonds were currently refunded with the issuance of the general obligation bonds – Series of 2015A. The balance of the defeased bonds outstanding at June 30, 2015 is \$ 8,335,000.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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- (C) On August 15, 2009, the School District issued \$ 20,000,000 of school revenue bonds – Series of 2009. The proceeds were used to finance the costs of completing the construction of Benjamin Chambers Elementary School, design and constructing of a new high school and pay the costs issuing and insuring the bonds. The bonds are due in varying amounts on March 1, 2013 to 2037. The bonds bear interest at rates ranging from 2.00% to 5.00%.
- (D) On January 6, 2010 the School District issued a \$ 2,445,000 general obligation note – Series of 2010. The proceeds were used to finance the costs of capital projects and to currently refund the Series of 2002 general obligation bonds. The note is due on in varying amounts on October 1, 2010 to 2015. The note bears an interest rate of 2.56%.
- (E) On June 1, 2010 the School District issued \$ 15,250,000 of general obligation bonds – Series of 2010 A. The proceeds were used to finance the design and construction of a new high school, and pay the costs of issuing and insuring the bonds. The bonds were currently refunded with the issuance of the general obligation bonds – Series of 2014AA and Series of 2015A.
- (F) On December 30, 2010 the School District issued a \$ 11,420,000 general obligation note – Series AA of 2010. The proceeds were used to refund the 2003 Series general obligation bonds. The note is due in varying amounts on March 1, 2011 to 2023. The note bears an interest rate of 2.72%.
- (G) On July 27, 2011 the School District issued \$ 10,430,000 of general obligation bonds – Series of 2011. The proceeds will be used to pay for the costs of a capital project that includes planning, designing, acquiring, constructing, equipping, and furnishing the Chambersburg Area School District Career Magnet School and the related costs and expenses, including costs and expenses of issuing the bonds. The bonds are due in varying amounts on February 1, 2012 to 2037. The bonds bear interest at rates ranging from 2.00% to 5.25%.
- (H) On December 14, 2012 the School District issued \$ 9,140,000 of general obligation bonds – Series of 2012. The proceeds were used to refund the 2005 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2024. The bonds bear interest at rates ranging from 1.5% to 2%.
- (I) On June 3, 2013 the School District issued \$ 9,925,000 of general obligation bonds – Series of 2013. The proceeds were used to refund the 2008 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2034. The bonds bear interest at rates ranging from 1.25% to 3.5%.
- (J) On July 1, 2013 the School District issued \$ 9,545,000 of general obligation bonds – Series of 2013 A. The proceeds were used to partially refund the 2007 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2014 to 2029. The bonds bear interest at rates ranging from 1.25% to 3.25%.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

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- (K) On January 13, 2014 the School District issued \$ 7,290,000 of general obligation bonds – Series of 2014. The proceeds were used to refund the Series of 2005 B General Obligation bonds. The bonds are due in varying amounts on March 1, 2015 to 2021. The bonds bear interest at rates ranging from 2.00% to 4.00%.
- (L) On June 3, 2014 the School District issued \$ 9,200,000 of general obligation bonds – Series of 2014 A. The proceeds were used to partially refund the 2007 Series General Obligation bonds. The bonds are due in varying amounts on March 1, 2015 to 2028. The bonds bear interest at rates ranging from 0.20% to 3.00%.
- (M) On December 11, 2014, the School District issued \$ 9,995,000 of general obligation bonds – Series of 2014 AA. The proceeds were used to currently refund a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on February 1, 2016 to 2037. The bonds bear interest at rates ranging from 3.00% to 3.50%.

As a result of the refunding, the School District will have the following benefits:

|                |              |
|----------------|--------------|
| Cash flow gain | \$ 1,357,833 |
| Economic gain  | \$ 1,048,113 |

- (N) On May 13, 2015, the School District issued \$ 41,125,000 of general obligation bonds – Series of 2015 A. The proceeds were used to currently refund the Series of 2005 A general obligation bonds, the Series of 2007 general obligation bonds, a portion of the Series of 2010 A general obligation bonds and pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2016 to 2033. The bonds bear interest at rates ranging from 2.00% to 5.00%.

As a result of the refundings, the School District will have the following benefits:

|                |              |
|----------------|--------------|
| Cash flow gain | \$ 5,304,007 |
| Economic gain  | \$ 4,460,555 |

- (O) On May 13, 2015, the School District issued \$ 10,850,000 of general obligation bonds – Series of 2015 AA. The proceeds were used to for the acquisition, design, construction, furnishing, and equipping of a new elementary school (Marion), various capital projects for the School District’s existing facilities, and to pay the related costs of issuing the bonds. The bonds are due in varying amounts on March 1, 2030 to 2037. The bonds bear interest at rates ranging from 3.5% to 4.0%.

***Subsequent Event***

On January 7, 2016, the School District issued \$ 9,620,000 of general obligation bonds, Series of 2016. The proceeds were used to currently refund the School District’s general obligation bonds Series of 2010 AA and pay the related costs of issuing the bonds.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 9 LONG-TERM LIABILITIES (CONTINUED)**

The annual debt requirements for future general obligation bonds and notes, as of June 30, 2015, are as follows:

|             | Series of 2009       |                      | Series of 2010    |                 | Series of 2010 AA   |                     | Series of 2011       |                     |
|-------------|----------------------|----------------------|-------------------|-----------------|---------------------|---------------------|----------------------|---------------------|
|             | Principal            | Interest             | Principal         | Interest        | Principal           | Interest            | Principal            | Interest            |
| 2016        | \$ 5,000             | \$ 979,425           | \$ 240,000        | \$ 3,072        | \$ 590,000          | \$ 263,260          | \$ 5,000             | \$ 493,260          |
| 2017        | 5,000                | 979,275              | -                 | -               | 850,000             | 246,270             | 5,000                | 493,160             |
| 2018        | 5,000                | 979,125              | -                 | -               | 875,000             | 232,828             | 5,000                | 493,006             |
| 2019        | 5,000                | 978,950              | -                 | -               | 905,000             | 198,698             | 5,000                | 492,850             |
| 2020        | 5,000                | 978,775              | -                 | -               | 925,000             | 174,216             | 5,000                | 492,696             |
| 2021 - 2025 | 25,000               | 4,890,988            | -                 | -               | 5,375,000           | 331,898             | 25,000               | 2,460,884           |
| 2026 - 2030 | 2,095,000            | 4,885,857            | -                 | -               | -                   | -                   | 1,100,000            | 2,455,870           |
| 2031 - 2035 | 12,030,000           | 3,310,363            | -                 | -               | -                   | -                   | 6,225,000            | 1,692,040           |
| 2036 - 2037 | 5,800,000            | 438,500              | -                 | -               | -                   | -                   | 3,035,000            | 240,976             |
|             | <u>\$ 19,975,000</u> | <u>\$ 18,421,258</u> | <u>\$ 240,000</u> | <u>\$ 3,072</u> | <u>\$ 9,520,000</u> | <u>\$ 1,447,170</u> | <u>\$ 10,410,000</u> | <u>\$ 9,314,742</u> |

|             | Series of 2012      |                     | Series of 2013      |                     | Series of 2013 A    |                     | Series of 2014      |                   |
|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|             | Principal           | Interest            | Principal           | Interest            | Principal           | Interest            | Principal           | Interest          |
| 2016        | \$ 625,000          | \$ 162,794          | \$ 5,000            | \$ 310,488          | \$ 100,000          | \$ 291,433          | \$ 700,000          | \$ 250,200        |
| 2017        | 645,000             | 150,294             | 5,000               | 310,425             | 115,000             | 290,183             | 1,090,000           | 236,200           |
| 2018        | 660,000             | 137,394             | 5,000               | 310,363             | 115,000             | 288,745             | 1,135,000           | 192,600           |
| 2019        | 670,000             | 127,494             | 5,000               | 310,300             | 120,000             | 287,308             | 1,180,000           | 147,200           |
| 2020        | 685,000             | 117,442             | 5,000               | 310,188             | 120,000             | 284,908             | 1,230,000           | 100,000           |
| 2021 - 2025 | 5,230,000           | 332,400             | 25,000              | 1,549,214           | 645,000             | 1,386,525           | 1,270,000           | 50,800            |
| 2026 - 2030 | -                   | -                   | 1,865,000           | 1,545,690           | 8,320,000           | 1,031,297           | -                   | -                 |
| 2031 - 2035 | -                   | -                   | 8,000,000           | 659,256             | -                   | -                   | -                   | -                 |
| 2036 - 2037 | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                 |
|             | <u>\$ 8,515,000</u> | <u>\$ 1,027,818</u> | <u>\$ 9,915,000</u> | <u>\$ 5,305,924</u> | <u>\$ 9,535,000</u> | <u>\$ 3,860,399</u> | <u>\$ 6,605,000</u> | <u>\$ 977,000</u> |

|             | Series of 2014 A    |                     | Series of 2014 AA   |                     | Series of 2015 A     |                      | Series of 2015 AA    |                     |
|-------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|
|             | Principal           | Interest            | Principal           | Interest            | Principal            | Interest             | Principal            | Interest            |
| 2016        | \$ 5,000            | \$ 262,620          | \$ 5,000            | \$ 336,605          | \$ 2,205,000         | \$ 1,144,106         | \$ -                 | \$ 287,546          |
| 2017        | 5,000               | 262,600             | 5,000               | 336,522             | 1,585,000            | 1,616,700            | -                    | 417,406             |
| 2018        | 5,000               | 262,530             | 5,000               | 336,440             | 1,780,000            | 1,569,150            | -                    | 417,406             |
| 2019        | 5,000               | 262,460             | 5,000               | 336,358             | 1,860,000            | 1,480,150            | -                    | 417,406             |
| 2020        | 5,000               | 262,390             | 5,000               | 336,274             | 1,955,000            | 1,387,150            | -                    | 417,406             |
| 2021 - 2025 | 700,000             | 1,284,500           | 25,000              | 1,679,537           | 14,955,000           | 5,362,500            | -                    | 2,087,030           |
| 2026 - 2030 | 8,240,000           | 676,910             | 25,000              | 1,675,932           | 12,625,000           | 1,517,244            | 845,000              | 2,087,030           |
| 2031 - 2035 | -                   | -                   | 5,545,000           | 1,508,090           | 4,160,000            | 261,758              | 5,970,000            | 1,645,498           |
| 2036 - 2037 | -                   | -                   | 4,375,000           | 230,998             | -                    | -                    | 4,035,000            | 212,800             |
|             | <u>\$ 8,965,000</u> | <u>\$ 3,274,010</u> | <u>\$ 9,995,000</u> | <u>\$ 6,776,756</u> | <u>\$ 41,125,000</u> | <u>\$ 14,338,758</u> | <u>\$ 10,850,000</u> | <u>\$ 7,989,528</u> |

| Totals      |                       |                      |
|-------------|-----------------------|----------------------|
|             | Principal             | Interest             |
| 2016        | \$ 4,485,000          | \$ 4,784,809         |
| 2017        | 4,310,000             | 5,339,035            |
| 2018        | 4,590,000             | 5,219,587            |
| 2019        | 4,760,000             | 5,039,174            |
| 2020        | 4,940,000             | 4,861,445            |
| 2021 - 2025 | 28,275,000            | 21,416,276           |
| 2026 - 2030 | 35,115,000            | 15,875,830           |
| 2031 - 2035 | 41,930,000            | 9,077,005            |
| 2036 - 2037 | 17,245,000            | 1,123,274            |
|             | <u>\$ 145,650,000</u> | <u>\$ 72,736,435</u> |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
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**NOTE 10 GOVERNMENTAL FUNDS – FUND BALANCE**

The following table provides detail of the fund balance classifications which are aggregated on the governmental funds balance sheet:

|   | General<br>Fund     | Capital<br>Projects<br>Fund | Capital<br>Reserve<br>Fund | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------|----------------------------|--------------------------------|
| <b>FUND BALANCES</b>                                  |                     |                             |                            |                                |
| Nonspendable:   |                     |                             |                            |                                |
| Inventories   | \$ 84,482           | \$ -                        | \$ -                       | \$ 84,482                      |
| Prepaid expenses                                      | 192,215             | -                           | -                          | 192,215                        |
| Total Nonspendable                                    | <u>276,697</u>      | <u>-</u>                    | <u>-</u>                   | <u>276,697</u>                 |
| Restricted for:                                       |                     |                             |                            |                                |
| Tax appeals   | 222,230             | -                           | -                          | 222,230                        |
| Unspent donations and grants                          | 22,657              | -                           | -                          | 22,657                         |
| Future capital projects                               | -                   | 10,365,153                  | 2,410,930                  | 12,776,083                     |
| Total Restricted                                      | <u>244,887</u>      | <u>10,365,153</u>           | <u>2,410,930</u>           | <u>13,020,970</u>              |
| Committed for:  |                     |                             |                            |                                |
| Future property tax relief                            | <u>429,912</u>      | <u>-</u>                    | <u>-</u>                   | <u>429,912</u>                 |
| Assigned for:   |                     |                             |                            |                                |
| 2015-2016 portion of budgeted use of fund balance (A) | <u>6,706,237</u>    | <u>-</u>                    | <u>-</u>                   | <u>6,706,237</u>               |
| Unassigned  |                     |                             |                            |                                |
|   | <u>-</u>            | <u>-</u>                    | <u>-</u>                   | <u>-</u>                       |
| Total fund balances                                   | <u>\$ 7,657,733</u> | <u>\$ 10,365,153</u>        | <u>\$ 2,410,930</u>        | <u>\$ 20,433,816</u>           |

(A) This is the portion of the 2015-2016 budget deficit that is shown as assigned fund balance on the financial statements. The actual budget deficit for 2015-2016 is \$ 6,747,603; however, based on the budget being prepared prior to year end, this amount exceeds the actual unassigned fund balance category at June 30, 2015.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS**

***Plan Description***

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical and prescription drug coverage for both the retiree and spouse. The member is eligible until the employee reaches Medicare age. To continue coverage upon retirement, the retiree must reimburse the School District 100% of the School District's cost of coverage.

Retirees opting to participate are asked to pay a premium amount that is less than the School District's actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members. The fact that the blended rate that retirees pay is less than the cost of covering retired members and their beneficiaries results in what is known as an "implicit rate subsidy" by the School District, which gives rise to the benefit.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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In addition, the current superintendent as well as Act 93 employees (administrators) may be eligible to receive a postemployment benefit based on years of service. These benefits are detailed as follows:

**Current Superintendent**

If the current Superintendent has 10 years of service with the School District, he will be eligible for medical and prescription drug coverage until he is eligible for Medicare. This benefit is fully funded by the School District.

**Act 93 Employees (Administrators)**

For members as of December 31, 2009 that have at least 15 years of service with the School District, but less than 20 years, the School District will pay for 50% of the members insurance premiums for medical and prescription drug coverage. If a member has at least 20 years, but less than 25 years of service with the School District, the School District will pay for 75% of the member's insurance premiums for medical and prescription drug coverage. If a member has 25 years of service or more, the School District will provide full medical and prescription drug coverage. This coverage is provided until the member is eligible for Medicare. For new members as of January 1, 2010 and after, employees are eligible with 30 years of service and age 60, one year of service and age 62, or 35 years of service regardless of age. These employees may purchase coverage until Medicare age by paying the premium that is determined for COBRA.

The administrators and superintendent have the option of waiving the above benefit and in lieu of receiving postemployment benefits, receive an annual amount paid into a 403b account maintained by the employee. Currently, 83 employees have elected to receive this benefit in lieu of the other postemployment benefits described above.

***Funding Policy***

The contribution requirements of the plan member and the School District are established and may be amended by the School District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the School District. For the fiscal year 2014/2015, the School District contributed an estimated \$ 276,501 towards these benefits. Plan members receiving benefits also contributed \$ 581,270.

***Annual OPEB Cost and Net OPEB Obligation***

The School 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.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
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**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

***Annual OPEB Cost and Net OPEB Obligation (Continued)***

The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

|   | <b>Governmental</b> | <b>Food Service</b>    |                   |
|---|---------------------|------------------------|-------------------|
|   | <b>Activities</b>   | <b>Fund/ Business</b>  | <b>Total</b>      |
|   |                     | <b>Type Activities</b> |                   |
| Annual required contribution (ARC)          | \$ 384,918          | \$ 11,253              | \$ 396,171        |
| Estimated interest on net OPEB obligation   | 30,451              | 890                    | 31,341            |
| Estimated adjustment to ARC                 | <u>(41,543)</u>     | <u>(1,214)</u>         | <u>(42,757)</u>   |
| Annual OPEB cost                            | 373,826             | 10,929                 | 384,755           |
| Estimated employer contributions made       | <u>(268,648)</u>    | <u>(7,853)</u>         | <u>(276,501)</u>  |
| Increase in net OPEB obligation             | 105,178             | 3,076                  | 108,254           |
| Net OPEB obligation - beginning of the year | <u>678,351</u>      | <u>18,119</u>          | <u>696,470</u>    |
| Net OPEB obligation - end of the year       | <u>\$ 783,529</u>   | <u>\$ 21,195</u>       | <u>\$ 804,724</u> |

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows:

| <b>Fiscal Year</b> | <b>Annual</b>    | <b>Percentage of Annual</b>  | <b>Net OPEB</b>   |
|--------------------|------------------|------------------------------|-------------------|
| <b>Ended</b>       | <b>OPEB Cost</b> | <b>OPEB Cost Contributed</b> | <b>Obligation</b> |
| 2015               | \$ 384,755       | 71.86%                       | \$ 804,724        |
| 2014               | \$ 402,462       | 82.00%                       | \$ 696,470        |
| 2013               | \$ 404,572       | 86.51%                       | \$ 624,017        |

***Funded Status and Funding Progress***

As of January 1, 2014, the most recent actuarial valuation date, the plan had the following funded status and progress:

| <b>Valuation</b> | <b>Actuarial</b> | <b>Actuarial Accrued</b> | <b>Unfunded</b> | <b>Funded</b>  | <b>Covered</b> | <b>UAAL as a</b>       |
|------------------|------------------|--------------------------|-----------------|----------------|----------------|------------------------|
| <b>Date</b>      | <b>Value</b>     | <b>Liability (AAL) -</b> | <b>AAL</b>      | <b>Ratio</b>   | <b>Payroll</b> | <b>Percentage of</b>   |
| <b>(a)</b>       | <b>(b)</b>       | <b>Entry Age</b>         | <b>(UAAL)</b>   | <b>(a / b)</b> | <b>(c)</b>     | <b>Covered Payroll</b> |
|                  |                  |                          | <b>(b - a)</b>  |                |                | <b>((b - a) / c)</b>   |
| 01/01/14         | \$ 0             | \$ 3,323,915             | \$ 3,323,915    | 0.00%          | \$ 43,702,407  | 7.61%                  |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the profitability 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 the 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 multiyear trend information in the future, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***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 the 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 January 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50 % investment rate of return (net of administrative expenses), annual salary increase of 3.50 %, and for teachers and administrators a merit increase which varies by age between 2.75 % to 0.25 %, and an annual healthcare cost trend rate of 6.5 % in 2014, decreasing 0.5 % to a rate of 5.5 % in 2016 and ultimately to 4.2% in 2089 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

***Other Postemployment Benefits – Public School Employees’ Retirement System (PSERS)***

In addition to the other postemployment benefit detailed above, the Public School Employees’ Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees’ Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary from the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, School District contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. The PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at <http://www.psers.state.pa.us/>.

Participating eligible employees are entitled to receive premium assistance payments equal to the lesser of \$ 100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible employees must obtain their health insurance through the School District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the School District and the Commonwealth used to fund the premium assistance was 0.90% for the year ended June 30, 2015.



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
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**NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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***Other Postemployment Benefits – Public School Employees’ Retirement System (PSERS) (continued)***

The information below summarizes the required contributions, the percentage of required contribution contributed and the contribution rate for the current year and two preceding years:

| <b>Fiscal Year Ended</b> | <b>Required Contribution</b> | <b>Percentage Contributed</b> | <b>Contribution Rate</b> |
|--------------------------|------------------------------|-------------------------------|--------------------------|
| 2015                     | \$ 466,658                   | 100.00%                       | 0.90%                    |
| 2014                     | \$ 475,704                   | 100.00%                       | 0.93%                    |
| 2013                     | \$ 423,451                   | 100.00%                       | 0.86%                    |

**NOTE 12 LEASES**

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The School District has entered into noncancelable leases for printers, copiers and centralized print servers. Rent expense for 2014-2015 was \$ 247,339. The School District has the following future minimum payments on long-term leases:

|           |                   |
|-----------|-------------------|
| 2015-2016 | \$ 251,429        |
| 2016-2017 | 251,429           |
| 2017-2018 | 62,857            |
|           | <u>\$ 565,715</u> |

**NOTE 13 AFFILIATES**

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Payments to fund operating costs of affiliated entities for the year ended 2014/2015 were as follows:

***Operations***

|  |                     |
|--|---------------------|
| Franklin County Career and Technology Center | \$ 2,022,617        |
| Franklin Learning Center                     | <u>598,312</u>      |
|  | <u>\$ 2,620,929</u> |

The Franklin County Career and Technology Center has a note in the original amount of \$ 2,360,000 to refinance a previous note that was issued for building improvements. The Center also has bonds in the original amount of \$ 14,090,000 to finance building additions and renovations. Each member district adopted resolutions approving the project and the related debt issues and is responsible for their individual share of the debt. Under the Articles of Agreement, each member district’s share of rental (debt) payments is based on the district’s ratio of market valuation of real estate to the total market valuation of real estate of all participating school districts. The Chambersburg Area School District’s share of rental payments for 2014/2015 was \$ 527,674, which are excluded from the operating costs above. Based on the latest market valuation available, Chambersburg Area School District’s share is 43.57%, which represents \$ 6,230,510 of the outstanding debt of the Tech Center as of June 30, 2015.

**NOTE 14 PENSION PLAN**

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***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. 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](http://www.psers.state.pa.us).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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 rights to benefits is vested after ten years of service.

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

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

**NOTE 14 PENSION PLAN (CONTINUED)**

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***General Information About the Pension Plan (Continued)***

**Contributions**

Member contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% 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. Contributions from the School District recognized as revenue by the pension plan were \$ 10,335,827 for the year ended June 30, 2015.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2015, the School District recognized revenue of \$ 5,575,650 as reimbursement for its current year pension payments.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 14 PENSION PLAN (CONTINUED)**

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

At June 30, 2015, the School District reported a liability of \$ 157,333,350 in the Statement of Net Position 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 School 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 School District's proportion was 0.3975 percent, which was a decrease of 0.0197 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense as follows:

|                          |               |
|--------------------------|---------------|
| Governmental Activities  | \$ 14,960,432 |
| Business-Type Activities | \$ 434,875    |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|--|---|--|
| Difference between expected and actual experience  | \$ -  | \$ -   |
| Changes in assumptions   | -   | -  |
| Net difference between projected and actual investment earnings                          | -   | 11,247,548                                   |
| Changes in proportionate share   | 6,498,531                                     | -  |
| Difference between employer contributions and proportionate share of total contributions | 214,045                                       | -  |
| Contributions subsequent to the measurement date   | <u>10,629,425</u>                             | <u>-</u>                                     |
|  | <u>\$ 17,342,001</u>                          | <u>\$ 11,247,548</u>                         |

The \$ 10,629,425 reported as deferred outflows of resources related to pensions resulting from School 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:

|                     |                       |
|---------------------|-----------------------|
| Year ended June 30: |                       |
| 2016                | \$ (1,194,423)        |
| 2017                | (1,194,423)           |
| 2018                | (1,194,423)           |
| 2019                | (1,194,423)           |
| 2020                | <u>242,720</u>        |
| Total               | <u>\$ (4,534,972)</u> |

**NOTE 14 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

**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 % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50% , which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-200 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-200 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 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 ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS 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 expenses 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.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 14 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

**Actuarial Assumptions (Continued)**

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

| <b>Asset Class</b>           | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|------------------------------|--------------------------|---|
| 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 PSERS's 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%. 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 14 PENSION PLAN (CONTINUED)**

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

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

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

|   | 1% Decrease<br>6.5% | Current<br>Discount Rate<br>7.5% | 1% Increase<br>8.5% |
|---|---------------------|----------------------------------|---------------------|
| District's proportionate share of the net pension liability | \$ 196,252,000      | \$ 157,333,350                   | \$ 124,108,000      |

**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](http://www.psers.state.pa.us).

**Payables to the Pension Plan**

As of June 30, 2015, the School District had \$ 4,343,056 included in accrued salaries and benefits liability of which \$ 3,287,278 is for the contractually required contribution for the second quarter of 2015 and \$ 1,055,778 that is related to the accrued payroll liability for wages incurred as of June 30, 2015.

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

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***Construction Projects***

The following are details of construction projects that are in progress at June 30, 2015.

**Marion** – The School District plans to spend approximately \$ 6,715,000 for this project and as of June 30, 2015, the total cost incurred was \$ 1,539,073.

**South Hamilton** – The School District plans to spend approximately \$ 600,000 for this project and as of June 30, 2015, the total cost incurred was \$ 238,551.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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***Other Contingencies***

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District typically is involved with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District. In addition, the School District is involved in multiple real estate tax assessment appeals involving the valuation or claimed exemption of properties within the School District. At this time, the School District has restricted fund balance for one specific appeal, but depending on the outcome of all appeals, the total amount cannot be determined at this time.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 16 RISK MANAGEMENT**

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The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors' and officers' liability, and unemployment compensation. For these insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2015**

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**NOTE 16 RISK MANAGEMENT (CONTINUED)**

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***Medical Insurance Fund***

As of July 1, 2011, the School District implemented its own self-funded health care plan administered by Capital Blue Cross. This plan is a “cost plus” plan in which the District pays Capital Blue Cross for actual claims and administering the plan. The School District has an internal service fund to account for the revenues and expense of the program. Transfers are made from the general fund and food service fund to the internal service fund based on actuarially determined rates. Other sources of revenue are proceeds from stop-loss insurance coverage, COBRA payments, and employee reimbursements (including retirees who elect to continue coverage). The School District maintains stop-loss coverage for claims greater than \$ 100,000 individually.

The School District offers its employees a direct reimbursement for eye care and dental expenses. The School District has an agreement with a third party administrator who determines the benefit amount to be paid. The maximum allowance is \$ 1,000 for each individual covered for dental coverage. Coverage for eye care is based on allowances for different services (i.e. – exam, frames, lenses, etc.). Payment for these services is once every two years for adults and once a year for dependents up to age 19. There is no carryover for unused funds and the allowances run on a calendar year.

Changes in the self-insured claims liability amounts (including stop loss premiums and administrative charges) for the year ended June 30 were as follows:

| <b>Year Ended<br/>June 30</b> | <b>Liability<br/>Beginning</b> | <b>Current Year<br/>Expense<br/>(including<br/>Changes in<br/>Estimate)</b> | <b>Payments</b> | <b>Liability<br/>Ending</b> |
|-------------------------------|--------------------------------|---|-----------------|-----------------------------|
| 2015                          | \$ 823,992                     | \$ 13,186,866   | \$ 12,956,855   | \$ 1,054,003                |
| 2014                          | 811,153                        | 11,659,664  | 11,646,825      | 823,992                     |

The ending liability represents unpaid claims and the estimated amount of incurred but not reported (IBNR) claims as of June 30, 2015. All expenditures for the School District’s risk management are recorded in the internal service fund, general fund or food service fund.

**NOTE 17 RESTATEMENTS**

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During the year ended June 30, 2015, the School District adopted *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, which required the School District to record the net pension liability, deferred outflows and inflows of resources, and pension expense associated with its proportionate share of the pension plan. As a result, the beginning net position amounts reflect the changes at June 30, 2014 resulting from the addition of the previously unrecorded information.

|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Food Service<br/>Fund</b> |
|---|------------------------------------|-------------------------------------|------------------------------|
| Net position, as originally stated - June 30, 2014              | \$ 56,681,942                      | \$ 1,650,313                        | \$ 1,427,771                 |
| Net pension liability   | (150,288,529)                      | (4,368,642)                         | (4,368,642)                  |
| Deferred outflows of resources related to net pension liability | 7,952,977                          | 231,179                             | 231,179                      |
| Net position, as restated - June 30, 2014                       | <u>\$ (85,653,610)</u>             | <u>\$ (2,487,150)</u>               | <u>\$ (2,709,692)</u>        |

**REQUIRED SUPPLEMENTARY INFORMATION**

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**OPEB (Other Postemployment Benefit Plan)**  
**Unaudited Required Schedule of Funding Progress**

| <b>Valuation Date</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b> | <b>Unfunded AAL (UAAL) (b - a)</b> | <b>Funded Ratio (a / b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b> |
|-----------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|--|
| 01/01/14              | \$ -                                 | \$ 3,323,915   | \$ 3,323,915                       | 0.00%                       | \$ 43,702,407              | 7.61%  |
| 01/01/12              | \$ -                                 | \$ 3,450,977   | \$ 3,450,977                       | 0.00%                       | \$ 42,600,033              | 8.10%  |
| 01/01/10              | \$ -                                 | \$ 3,541,002   | \$ 3,541,002                       | 0.00%                       | \$ 37,629,302              | 9.41%  |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2015**

|   | <b>BUDGET</b>       |                     | <b>ACTUAL</b>                      | <b>VARIANCE</b>              |
|---|---------------------|---------------------|------------------------------------|------------------------------|
|   | <b>ORIGINAL</b>     | <b>FINAL</b>        | <b>(BUDGETARY/<br/>GAAP BASIS)</b> | <b>WITH FINAL<br/>BUDGET</b> |
| <b>REVENUES</b>   |                     |                     |                                    |                              |
| Local Sources   |                     |                     |                                    |                              |
| Taxes   | \$ 74,949,856       | \$ 74,949,856       | \$ 72,632,898                      | \$ (2,316,958)               |
| Investment earnings                                       | 30,000              | 30,000              | 29,053                             | (947)                        |
| Federal revenue from intermediate sources                 | 1,214,738           | 1,214,738           | 1,293,984                          | 79,246                       |
| Other   | 906,752             | 906,752             | 1,196,884                          | 290,132                      |
| State sources   | 39,449,866          | 39,449,866          | 37,013,756                         | (2,436,110)                  |
| Federal sources   | <u>2,787,220</u>    | <u>2,787,220</u>    | <u>4,262,020</u>                   | <u>1,474,800</u>             |
| Total revenues  | <u>119,338,432</u>  | <u>119,338,432</u>  | <u>116,428,595</u>                 | <u>(2,909,837)</u>           |
| <b>EXPENDITURES</b>                                       |                     |                     |                                    |                              |
| Instruction   | 74,220,378          | 74,158,316          | 71,450,387                         | 2,707,929                    |
| Support services  | 35,164,846          | 35,304,846          | 35,850,157                         | (545,311)                    |
| Operation of noninstructional services                    | 1,906,134           | 1,911,716           | 2,004,605                          | (92,889)                     |
| Facilities acquisition, construction and<br>Debt service: | -                   | -                   | 20,000                             | (20,000)                     |
| Principal   | 4,120,000           | 4,120,000           | 3,920,000                          | 200,000                      |
| Interest  | 5,570,187           | 5,570,187           | 5,400,599                          | 169,588                      |
| Bond issue costs  | -                   | -                   | 755,230                            | (755,230)                    |
| Total Expenditures  | <u>120,981,545</u>  | <u>121,065,065</u>  | <u>119,400,978</u>                 | <u>1,664,087</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                     |                     |                                    |                              |
| Issuance of long term financing                           | -                   | -                   | 51,120,000                         | 51,120,000                   |
| Payment to refund bonds                                   | -                   | -                   | (53,583,936)                       | (53,583,936)                 |
| Bond premium  | -                   | -                   | 3,221,558                          | 3,221,558                    |
| Proceeds from sale of fixed assets                        | 12,264              | 12,264              | 20,040                             | 7,776                        |
| Budgetary reserve   | <u>(5,000,000)</u>  | <u>(4,916,480)</u>  | <u>-</u>                           | <u>4,916,480</u>             |
| Total other financing sources and (uses)                  | <u>(4,987,736)</u>  | <u>(4,904,216)</u>  | <u>777,662</u>                     | <u>5,681,878</u>             |
| Net change in fund balances                               | (6,630,849)         | (6,630,849)         | (2,194,721)                        | 4,436,128                    |
| Fund balance - beginning                                  | <u>11,853,390</u>   | <u>11,853,390</u>   | <u>9,852,454</u>                   | <u>(2,000,936)</u>           |
| Fund balance - ending                                     | <u>\$ 5,222,541</u> | <u>\$ 5,222,541</u> | <u>\$ 7,657,733</u>                | <u>\$ 2,435,192</u>          |

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's Proportionate Share of Net Pension Liability - Public School**  
**Employees' Retirement System**  
**Year Ended June 30, 2015**

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| <b>For the Fiscal<br/>Year Ended<br/>June 30</b> | <b>School District's<br/>Proportion of the<br/>Net Pension<br/>Liability (Asset)</b> | <b>School District's<br/>Proportionate<br/>Share of the Net<br/>Pension Liability<br/>(Asset)</b> | <b>School<br/>District's<br/>Covered-<br/>Employee<br/>Payroll -<br/>measurement<br/>period</b> | <b>School District's<br/>Proportionate Share of<br/>the Net Pension<br/>Liability (Asset) as a<br/>Percentage of its<br/>Covered-Employee<br/>Payroll</b> | <b>Plan Fiduciary Net<br/>Position as a<br/>Percentage of the<br/>Total Pension<br/>Liability</b> |
|--|--|---|---|---|---|
| 2015   | 0.3975%  | \$ 157,333,350  | \$ 50,729,081   | 310.14%   | 57.24%  |

**Notes**

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For PSERS, the measurement period year-end is one year prior to the fiscal year-end.

\* This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of School District's Contributions - Public School Employees' Retirement**  
**System**  
**Year Ended June 30, 2015**

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| <b>For the Fiscal<br/>Year Ended<br/>June 30</b> | <b>Contractually<br/>Required<br/>Contribution</b> | <b>Contributions in<br/>relation to the<br/>contractually<br/>required<br/>contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered Employee<br/>Payroll - fiscal year</b> | <b>Contributions as a<br/>Percentage of<br/>Covered Employee<br/>Payroll</b> |
|--|--|---|---|---|--|
| 2015   | \$ 10,335,827                                      | \$ 10,335,827   | \$ -  | \$ 51,914,696                                     | 19.91%   |

**Notes**

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\* This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

**OTHER SUPPLEMENTARY INFORMATION**

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

| <b>Grantor Program Title</b>  | <b>Federal CFDA Number</b> | <b>Pass Through Grantor's Number</b> | <b>Grant Period Beginning/Ending Date</b> | <b>Program or Award Amount</b> | <b>Total Received for the Year</b> | <b>Receivable (Payable) at July 1, 2014</b> | <b>Revenue Recognized</b> | <b>Expenditures Recognized</b> | <b>Receivable (Payable) at June 30, 2015</b> |
|---|----------------------------|--------------------------------------|---|--------------------------------|------------------------------------|---|---------------------------|--------------------------------|--|
| <b>U.S. Department of Education</b>                                 |                            |                                      |   |                                |                                    |   |                           |                                |  |
| Impact Aid  | 84.041                     | N/A                                  | N/A                                       | N/A                            | \$ 444,938                         | \$ 0  | \$ 444,938                | \$ 444,938                     | \$ 0   |
| Elementary and Secondary School Counseling Grant                    | 84.215E                    | S215E120252                          | October 1, 2013 - September 30, 2014      | 380,990                        | 168,669                            | 37,992                                      | 130,677                   | 130,677                        | -  |
| Elementary and Secondary School Counseling Grant                    | 84.215E                    | S215E120252                          | October 1, 2014 - September 30, 2015      | 390,478                        | 196,798                            | -   | 215,006                   | 215,006                        | 18,208                                       |
| Total direct funds  |                            |                                      |   |                                | 810,405                            | 37,992                                      | 790,621                   | 790,621                        | 18,208                                       |
| <u>Passed through the Pennsylvania Department of Education</u>      |                            |                                      |   |                                |                                    |   |                           |                                |  |
| ESEA Title I  | 84.010                     | 013-14-0076                          | July 9, 2013 - September 30, 2014         | 1,766,078                      | 938,744                            | 222,660                                     | 716,084                   | 716,084                        | -  |
| ESEA Title I  | 84.010                     | 013-15-0076                          | July 17, 2014 - September 30, 2015        | 2,247,074                      | 1,058,310                          | -   | 1,471,246                 | 1,471,246                      | 412,936                                      |
| Prog Improv-Set Aside - School Impr - Reg                           | 84.010                     | 042-140076                           | April 12, 2013 - September 30, 2014       | 60,403                         | 3,356                              | 2,856                                       | 500                       | 500                            | -  |
| Prog Improv-Set Aside - School Impr - Reg                           | 84.010                     | 042-150076                           | June 17, 2014 - September 30, 2015        | 159,398                        | 89,661                             | -   | 145,440                   | 145,440                        | 55,779                                       |
| ESEA Title II Part A  | 84.367                     | 020-14-0076                          | July 9, 2013- September 30, 2014          | 339,303                        | 157,966                            | 65,583                                      | 92,383                    | 92,383                         | -  |
| ESEA Title II Part A  | 84.367                     | 020-15-0076                          | July 17, 2014- September 30, 2015         | 341,641                        | 227,922                            | -   | 329,466                   | 329,466                        | 101,544                                      |
| ESEA Title III  | 84.365                     | 010-14-0076                          | July 9, 2013 - September 30, 2014         | 131,768                        | 87,845                             | 8,313                                       | 79,532                    | 79,532                         | -  |
| ESEA Title III  | 84.365                     | 010-15-0076                          | July 17, 2014 - September 30, 2015        | 133,733                        | 44,578                             | -   | 49,902                    | 49,902                         | 5,324  |
| 21st Century - Cohort 6   | 84.287                     | FC 4100059105                        | October 1, 2013 - September 30, 2014      | 144,000                        | 63,547                             | 29,248                                      | 34,299                    | 34,299                         | -  |
| Total passed through Pennsylvania Department of Education           |                            |                                      |   |                                | 2,671,929                          | 328,660                                     | 2,918,852                 | 2,918,852                      | 575,583                                      |
| <u>Passed through Lincoln Intermediate Unit</u>                     |                            |                                      |   |                                |                                    |   |                           |                                |  |
| I.D.E.A.  | 84.027                     | N/A                                  | July 1, 2014 - June 30, 2015              | 1,275,562                      | 1,275,562                          | -   | 1,275,562                 | 1,275,562                      | -  |
| I.D.E.A. - Section 619  | 84.173                     | N/A                                  | July 1, 2014 - June 30, 2015              | 18,422                         | 18,422                             | -   | 18,422                    | 18,422                         | -  |
| Total passed through Lincoln Intermediate Unit                      |                            |                                      |   |                                | 1,293,984                          | -   | 1,293,984                 | 1,293,984                      | -  |
| <b>Total U.S. Department of Education</b>                           |                            |                                      |   |                                | <b>4,776,318</b>                   | <b>366,652</b>                              | <b>5,003,457</b>          | <b>5,003,457</b>               | <b>593,791</b>                               |
| <b>U.S. Department of Agriculture</b>                               |                            |                                      |   |                                |                                    |   |                           |                                |  |
| <u>Passed through the Pennsylvania Department of Education</u>      |                            |                                      |   |                                |                                    |   |                           |                                |  |
| National School Lunch Program (cash)                                | 10.555                     | N/A                                  | July 1, 2013 - June 30, 2014              | N/A                            | 324,396                            | 324,396                                     | -                         | -                              | -  |
| National School Lunch Program (cash)                                | 10.555                     | N/A                                  | July 1, 2014 - June 30, 2015              | N/A                            | 1,833,424                          | -   | 2,122,353                 | 2,122,353                      | 288,929                                      |
| Breakfast Program   | 10.553                     | N/A                                  | July 1, 2013 - June 30, 2014              | N/A                            | 105,802                            | 105,802                                     | -                         | -                              | -  |
| Breakfast Program   | 10.553                     | N/A                                  | July 1, 2014 - June 30, 2015              | N/A                            | 548,591                            | -   | 643,412                   | 643,412                        | 94,821                                       |
| Summer Food   | 10.559                     | N/A                                  | July 1, 2013 - June 30, 2014              | N/A                            | 1,738                              | 1,738                                       | -                         | -                              | -  |
| Summer Food   | 10.559                     | N/A                                  | July 1, 2014 - June 30, 2015              | N/A                            | 7,132                              | -   | 7,132                     | 7,132                          | -  |
| Total passed through Pennsylvania Department of Education           |                            |                                      |   |                                | 2,821,083                          | 431,936                                     | 2,772,897                 | 2,772,897                      | 383,750                                      |
| <u>Passed through the Pennsylvania Department of Agriculture</u>    |                            |                                      |   |                                |                                    |   |                           |                                |  |
| National School Lunch Program (commodities)                         | 10.555 (B)                 | N/A                                  | July 1, 2014 - June 30, 2015              | N/A                            | 272,412                            | -   | 272,412                   | 272,412                        | -  |
| <b>Total U.S. Department of Agriculture</b>                         |                            |                                      |   |                                | <b>3,093,495</b>                   | <b>431,936</b>                              | <b>3,045,309</b>          | <b>3,045,309</b>               | <b>383,750</b>                               |
| <b>U.S. Department of Public Welfare</b>                            |                            |                                      |   |                                |                                    |   |                           |                                |  |
| <u>Passed through the Pennsylvania Department of Public Welfare</u> |                            |                                      |   |                                |                                    |   |                           |                                |  |
| Medical Assistance  | 93.778                     | N/A                                  | July 1, 2014 - June 30, 2015              | N/A                            | 45,301                             | -   | 45,301                    | 45,301                         | -  |
| <b>Total U.S. Department of Public Welfare</b>                      |                            |                                      |   |                                | <b>45,301</b>                      | <b>-</b>                                    | <b>45,301</b>             | <b>45,301</b>                  | <b>-</b>                                     |
| <b>Total Expenditure of Federal Awards</b>                          |                            |                                      |   |                                | <b>\$ 7,915,114</b>                | <b>\$ 798,588</b>                           | <b>\$ 8,094,067</b>       | <b>\$ 8,094,067</b>            | <b>\$ 977,541</b>                            |



**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

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**NOTE 1 REFERENCES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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(B) Based on USDA valuation

**NOTE 2 SUMMARY OF FEDERAL PROGRAMS BY CFDA NUMBER**

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| <u>Project Title</u>                        | <u>CFDA No.</u> | <u>Expenditures</u> | <u>Percent</u> |
|---|-----------------|---------------------|----------------|
| Child Nutrition Cluster                     |                 |                     |                |
| National School Lunch Program (cash)        | 10.555          | \$ 2,122,353        |                |
| National School Lunch Program (commodities) | 10.555          | 272,412             |                |
| Summer Food                                 | 10.559          | 7,132               |                |
| Breakfast Program                           | 10.553          | <u>643,412</u>      |                |
|   |                 | 3,045,309           | 37.6%          |
| ESEA Title I                                | 84.010          | 2,333,270           | 28.8%          |
| Special Education Cluster                   |                 |                     |                |
| I.D.E.A.                                    | 84.027          | 1,275,562 (A)       |                |
| I.D.E.A. - Section 619                      | 84.173          | <u>18,422 (A)</u>   |                |
|   |                 | 1,293,984           | 16.0%          |
| Impact Aid                                  | 84.041          | 444,938             | 5.5%           |
| ESEA Title II, Part A                       | 84.367          | 421,849             | 5.2%           |
| 21st Century Community Learning Centers     | 84.287          | 34,299              | 0.4%           |
| Elementary and Secondary School Counseling  | 84.215E         | 345,683             | 4.3%           |
| ESEA Title III                              | 84.365          | 129,434             | 1.6%           |
| Medical Assistance                          | 93.778          | <u>45,301</u>       | <u>0.6%</u>    |
| Total federal awards                        |                 | <u>\$ 8,094,067</u> | <u>100.0%</u>  |

(A) Included as "revenue from intermediate sources" under local revenues.

**NOTE 3 SIGNIFICANT ACCOUNTING POLICIES**

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***Basis of Accounting***

The schedule of expenditures of federal awards is presented using the modified accrual basis in accordance with accounting principles prescribed by the Pennsylvania Department of Education, which conform to generally accepted government accounting policies. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable. Revenues designated for payment of specific School District expenditures are recognized when the related expenditures are incurred. Any excess of revenues or expenditures at the fiscal year end is recorded as a liability or a receivable, respectively.



**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***

Board of Directors  
Chambersburg Area School District  
Chambersburg, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chambersburg Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Chambersburg Area School District's basic financial statements and have issued our report thereon dated March 21, 2016.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered Chambersburg 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 Chambersburg Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Chambersburg 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 Chambersburg 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
March 21, 2016



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

Board of Directors  
Chambersburg Area School District  
Chambersburg, Pennsylvania

***REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM***

We have audited Chambersburg 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 Chambersburg Area School District's major federal programs for the year ended June 30, 2015. Chambersburg 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 Chambersburg 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 Chambersburg 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 Chambersburg Area School District's compliance.

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

In our opinion, Chambersburg 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 Chambersburg 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 the 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 the 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 preceding paragraph and was not designed to identify all deficiencies in internal control 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.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
March 21, 2016

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weakness(es)?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of the major programs:

| CFDA Number(s) | Name of Federal Program           |
|----------------|-----------------------------------|
| 10.553         | Child Nutrition Cluster:          |
| 10.555         | National School Breakfast Program |
| 10.555         | National School Lunch Program     |
| 10.559         | Donated Commodities               |
|                | Summer Food                       |
|                | Special Education Cluster:        |
| 84.027         | IDEA                              |
| 84.173         | IDEA – Section 619                |

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

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**Section II - Financial Statement Findings**

A. Significant Deficiency or Material Weakness in Internal Control

None noted

B. Compliance Findings

None noted

**Section III - Federal Award Findings and Questioned Costs**

A. Significant Deficiencies or Material Weaknesses in Internal Control Over Compliance

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

B. Compliance Findings

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

**CHAMBERSBURG AREA SCHOOL DISTRICT**  
**Summary Schedule of Prior Audit Findings Related to Federal Awards**  
**Year Ended June 30, 2015**

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**Findings related to federal awards:**

None