

Hempfield School District

Year Ended June 30, 2015



TROUT, EBERSOLE & GROFF<sub>LLP</sub>

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**Hempfield School District**  
Financial Statements with Supplementary Information  
Year Ended June 30, 2015

TABLE of CONTENTS

	Page
<b>Independent Auditors' Report</b>	1 - 3
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	4 - 14
<b>Financial Statements</b>	
Statement of Net Position	15 & 16
Statement of Activities	17 & 18
Balance Sheet - Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22 & 23
Statement of Net Position - Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26 & 27
Statement of Net Position - Fiduciary Funds	28
Statement of Changes in Net Position - Fiduciary Funds	29
Notes to Financial Statements	30 - 60
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	61

**Hempfield School District**  
Financial Statements with Supplementary Information  
Year Ended June 30, 2015

TABLE of CONTENTS  
(Continued)

	Page
Notes to Required Supplementary Information	62
Schedule of Funding Progress - Other Postemployment Benefits (OPEB) Postretirement Health Care Benefits Plan	63
Schedule of Employer Contributions - Other Postemployment Benefits (OPEB) Postretirement Health Care Benefits Plan	64
Notes to Required Supplementary Information	65
Schedule of School District's Proportionate Share of the Net Pension Liability - Public School Employees' Retirement System - Last 10 Fiscal Years	66
Schedule of Employer Contributions - Public School Employees' Retirement System - Last 10 Fiscal Years	67
Notes to Required Supplementary Information	68
<b>Supplementary Information</b>	
Combining Balance Sheet Schedule - Capital Project Fund	69
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Capital Project Fund	70
Combining Schedule of Net Position - Internal Service Funds	71
Combining Schedule of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	72
Schedule of Expenditures of Federal Awards	73 - 76
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77 & 78
Independent Auditors' Report on Compliance for each Major Program and Report on Internal Control over Compliance as Required by OMB Circular A-133	79 & 80
Schedule of Findings and Questioned Costs	81
Summary Schedule of Prior Audit Findings	82

## INDEPENDENT AUDITORS' REPORT

To the Board Officers and Members  
**Hempfield School District**  
Lancaster County, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hempfield School District**, Pennsylvania (the 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 misstatements, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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### ***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 **Hempfield 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.

### ***Change in Accounting Principle***

As described in Note 21 to the financial statements, **Hempfield School District** adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment to GASB Statement No. 68*. Our opinions are not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 14, the budgetary comparison information on pages 61 and 62, the other postemployment benefits (OPEB) health care benefits plan information on pages 63 through 65, and the schedule of school district's proportionate share of the net pension liability and the schedule of employer contributions on pages 66 through 68, 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 **Hempfield School District's** basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, on our consideration of **Hempfield School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Hempfield School District's** internal control over financial reporting and compliance.

October 28, 2015  
Lancaster, Pennsylvania



TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
Year Ended June 30, 2015

The discussion and analysis of **Hempfield School District's** financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the notes to the basic financial statements and the financial statements to enhance the understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for 2015 are as follows:

- The School District's financial statements for June 30, 2015 reflect the implementation of GASB 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This standard requires the inclusion of the School District's proportionate share of PSERS net pension liability, pension expense, and pension deferred inflows and outflows of resources on government-wide and proprietary fund financial statements. As disclosed in the footnotes, the beginning net position has been restated for July 1, 2014 to record the cumulative effect of the change in this accounting principle. The 2014 amounts in this management's discussion and analysis have been restated to achieve comparability.
- Total assets decreased \$5.5 million to \$194.4 million due to slightly lower cash and investment balances but primarily due to a decreased value of net capital assets resulting from the disposition of the Rohrerstown Education Center and the recording of normal depreciation expense. Due to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* which required the recognition of \$153.4 million net pension liability, total liabilities increased by \$144 million compared to previously issued 2014 amounts. Other than the effect of the net pension liability, total liabilities decreased \$6.3 million, primarily due to a decrease in bonds payable.
- Revenues totaled \$111.0 million. General revenues accounted for \$89.5 million, or 80.6% of this total, while program specific charges for services, grants, or contributions represented \$21.5 million or 19.4%. These revenues represent a total increase of \$3.3 million from last year. Total tax revenues increased \$2.4 million, and State revenues increased by \$1.6 million, \$1.3 million coming from the increase in the PSERS retirement subsidy.
- The School District had \$111.1 million in expenses related to governmental activities; \$18.1 million of these expenses were offset by program specific charges for services, grants, or contributions. General revenues, including \$76.7 million of taxes, provided for these expenses. Net position decreased by \$3.4 million for governmental activities overall of which \$3.4 million is due to the recording of the School District's increase in proportionate share of the net pension liability.
- Among major funds, the general fund had \$108.7 million in revenues and \$108.5 million in expenditures and transfers. This resulted in the addition of nearly \$200 thousand to general fund balance, increasing the general fund's fund balance to \$10 million.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand **Hempfield School District** as a financial whole.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how the services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds including proprietary and fiduciary fund statements. In the case of **Hempfield School District**, the general fund is the most significant fund.

**Reporting the School District as a Whole**

Our analysis for the School District as a whole begins on page 6. One of the most important questions asked about the School District's finances is, "Have our financial results this year improved or diminished our overall financial position?" The statement of net position and the statement of activities report information about the School District as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities, as well as deferred outflows and inflows of resources, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors.

In the statement of net assets and the statement of activities, the School District's financial information is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District's food services and day care operations are reported as business activities.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 19 and provide detailed information about the most significant funds, not the School District as a whole. The School District's three types of funds, governmental, proprietary, and fiduciary, use different accounting approaches.



**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**USING THIS ANNUAL REPORT (Continued)**

**Reporting the School District's Most Significant Funds (Continued)**

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reconciled in the financial statements.

**Proprietary Funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. Proprietary funds report activities that the School District operates like a business.

**Fiduciary Funds** - The School District is a trustee or agent for assets that belong to others, such as the scholarship fund and the student activity fund. These activities are excluded from the district-wide financial statements because the School District cannot use these assets to finance its operations.

**THE SCHOOL DISTRICT as a WHOLE**

**Statement of Net Position**

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014:

**Table 1**  
**Net Position at June 30**  
(In Millions)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>						
Current and Other Assets	44.4	44.9	.1	.2	44.5	45.1
Capital Assets	<u>148.7</u>	<u>153.5</u>	<u>1.2</u>	<u>1.3</u>	<u>149.9</u>	<u>154.8</u>
<b>Total Assets</b>	<b>193.1</b>	<b>198.4</b>	<b>1.3</b>	<b>1.5</b>	<b>194.4</b>	<b>199.9</b>
 <b>Deferred Outflow of Resources</b>	 <b>12.5</b>	 <b>7.9</b>	 <b>.2</b>	 <b>.1</b>	 <b>12.7</b>	 <b>8.0</b>

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Net Position (Continued)**

**Table 1 (Continued)**  
**Net Position at June 30**  
(In Millions)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Liabilities</b>						
Current Liabilities	23.7	22.9	.1	.1	23.8	23.0
Noncurrent Liabilities	<u>261.7</u>	<u>270.5</u>	<u>3.1</u>	<u>3.1</u>	<u>264.8</u>	<u>273.6</u>
<b>Total Liabilities</b>	<b>285.4</b>	<b>293.4</b>	<b>3.2</b>	<b>3.2</b>	<b>288.6</b>	<b>296.6</b>
<b>Deferred Inflows of Resources</b>	<b>10.7</b>	<b>.0</b>	<b>.2</b>	<b>.0</b>	<b>10.9</b>	<b>.0</b>
<b>Net Position</b>						
Net Investment in Capital Assets	35.9	36.2	1.2	1.3	37.1	37.5
Unrestricted	<u>(126.4)</u>	<u>(123.3)</u>	<u>(3.1)</u>	<u>(2.9)</u>	<u>(129.5)</u>	<u>(126.2)</u>
<b>Total Net Position</b>	<b>(90.5)</b>	<b>(87.1)</b>	<b>(1.9)</b>	<b>(1.6)</b>	<b>(92.4)</b>	<b>(88.7)</b>

**Analysis of Table 1:**

Net position decreased \$151.5 million from previously issued June 30, 2014 financial statements which is primarily attributable to the implementation of GASB 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. Of this total, \$148.0 million was the effect of the restatement of the beginning net position for the recognition of the net pension liability. The decrease of \$3.7 million in the current year is primarily due to the recognition of pension costs.

**Governmental Activities**

- Current assets decreased \$.5 million, which was primarily due to a \$1.2 million decrease in cash and investments and a \$.7 million increase in state subsidies receivable.
- Noncurrent assets decreased almost \$4.8 million, from \$153.5 million to \$148.7 million. This decrease reflects the disposition of the Rohrerstown Education Center as well as annual depreciation expense.
- Total liabilities decreased \$8.0 million which was largely the result of bonds payable decreasing by \$5.8 million.

**Business-Type Activities**

- Net position of the business-type activities decreased about \$3.2 million again due to the recognition of \$3.3 million in net pension liabilities.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Activities**

**Table 2**  
**Changes in Net Position at June 30**  
(In Millions)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	.6	.7	1.9	2.0	2.5	2.7
Operating Grants	15.9	14.5	1.4	1.4	17.3	15.9
Capital Grants	1.7	1.2	.0	.0	1.7	1.2
General Revenues:						
Property and Other Taxes	76.7	74.3	.0	.0	76.7	74.3
Grants and Entitlements	13.5	13.5	.0	.0	13.5	13.5
Other	<u>(.7)</u>	<u>.2</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.8)</u>	<u>0.1</u>
<b>Total Revenues</b>	<b><u>107.7</u></b>	<b><u>104.4</u></b>	<b><u>3.2</u></b>	<b><u>3.3</u></b>	<b><u>110.9</u></b>	<b><u>107.7</u></b>
<b>Expenses</b>						
Program Expenses:						
Instruction	73.9	70.8	.0	.0	73.9	70.8
Support Services:						
Instructional Student Support	7.9	7.5	.0	.0	7.9	7.5
Administrative and Financial Support Services	9.9	9.4	.0	.0	9.9	9.4
Operation and Maintenance of						
Plant Services	8.8	8.9	.0	.0	8.8	8.9
Pupil Transportation	5.2	4.5	.0	.0	5.2	4.5
Student Activities	1.8	1.7	.0	.0	1.8	1.7
Interest on Long-Term Debt	3.0	3.2	.0	.0	3.0	3.2
Unallocated Depreciation Expense	.6	.6	.0	.0	.6	.6
Food Service and Day Care Operations	<u>.0</u>	<u>.0</u>	<u>3.5</u>	<u>3.6</u>	<u>3.5</u>	<u>3.6</u>
<b>Total Expenses</b>	<b><u>111.1</u></b>	<b><u>106.6</u></b>	<b><u>3.5</u></b>	<b><u>3.6</u></b>	<b><u>114.6</u></b>	<b><u>110.2</u></b>
<b>Increase (Decrease) in Net Position</b>	<b>(3.4)</b>	<b>(2.2)</b>	<b>(.3)</b>	<b>(0.3)</b>	<b>(3.7)</b>	<b>(2.5)</b>

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Activities (Continued)**

**Table 3**  
**Governmental Activities at June 30**  
(In Millions)

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Instruction	73.9	70.8	61.3	59.7
Support Services:				
Instructional Student Support	7.9	7.5	6.9	6.7
Administrative and Financial Support Services	9.9	9.4	9.2	8.7
Operation and Maintenance of Plant Services	8.8	8.9	8.2	8.3
Pupil Transportation	5.2	4.5	3.9	2.7
Student Activities	1.8	1.7	1.4	1.4
Interest on Long-Term Debt	3.0	3.2	1.4	2.1
Unallocated Depreciation Expense	<u>.6</u>	<u>.6</u>	<u>.6</u>	<u>.6</u>
<b>Total Governmental Activities</b>	<b>111.1</b>	<b>106.6</b>	<b>92.9</b>	<b>90.2</b>

**Analysis of Tables 2 and 3:**

**Governmental Activities**

Program revenues are used to partially offset the costs of governmental activities. The program revenues which offset expenses this year included:

- Charges for services included tuition for non-resident students, fees for extra programs and extracurricular activities, rental charges, and admission paid to athletic events.
- Operating grants and contributions included state subsidies for special education, transportation, and employee benefits, as well as federal and state grants for specific programs.
- Capital grants included state subsidies which fund a portion of the debt service principal and interest expenses.

There is heavy reliance on tax revenues to fund the operations of the School District.

- Property, earned income, and other taxes provided \$76.7 million, or 85.5% of the \$90 million general governmental revenues. Program related grants, subsidies and charges for services provided \$18.1 million of funding for program expenses, and \$13 million of additional grants, subsidies, interest, and other revenues provided for other expenses after the offset of asset disposals.
- Overall tax revenues increased \$2.6 million. Current property taxes increased \$2.3 million. The millage applied to the assessed valuation increased from 19.003 in 2013-2014 to 19.459 in 2014-2015, a 2.4% index-based increase.

Total expenses for governmental activities have increased by \$4.5 million. Wage increases, primarily driven by the collective bargaining agreement, led to \$1.5 million of these increased expenses. Key benefit increases include PSERS retirement costs, which increased by \$2.5 million as the employer rate increased from 16.93% to 21.40%, and over half million more spent on health care costs.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**THE SCHOOL DISTRICT as a WHOLE (Continued)**

**Statement of Activities (Continued)**

**Business-Type Activities**

Business-type activities consist of food service operations and the child care venture. The child nutrition programs had revenues, including state and federal support, of \$3 million, and expenses of \$3.3 million for the fiscal year 2015, which indicates a loss of approximately \$316 thousand for food service operations. Of this amount, \$118 thousand represents depreciation expense and \$70 thousand as additional pension expense related to GASB 68. Therefore the operating loss was approximately \$128 thousand. These operations continue to sustain negative impact because of increasingly strict nutrition standards, and related decreased sales. For school year 2015-16, the high school elected to opt out of the National School Lunch Program (NSLP) in an effort to increase sales at the high school by providing food choices that currently are not able to be served under the Healthy Hunger-Free Kids Act. The child care operation continues to add positive value, as it generated a \$103 thousand profit on revenues of \$379 thousand.

**THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's major funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$108.7 million and expenditures of \$110.6 million. Other financing sources provided \$.6 million, resulting in a decrease to total fund balances of \$1.3 million. Most of the significant changes relate to ongoing capital project spending of \$2.0 million and the effects of related borrowing.

**General Fund**

The general fund balance increased \$197 thousand, to a total of \$10 million. Commitments have been made by the board under GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to identify and protect contingent resources to address needs in some critical areas. \$2 million has been committed to provide resources for GASB 45 liabilities for postretirement benefits. In addition, a total of \$2 million has been assigned as follows: \$1 million for future capital projects and \$1 million for potential purchase of electronic devices for the School District's 1 to 1 initiative. Those commitments and assignments leave approximately \$6 million as unassigned fund balance.

With these transactions recorded, the unassigned fund balance test yields a 5.3% fund balance against the original 2015-2016 budgeted expenditures, which is well within the 8% legal restriction. The committed, assigned, and unassigned amounts in the fund balance provide some contingency amounts, if needed, to deal with increasing costs and future liabilities. The unassigned fund balance also assists in meeting the following fiscal year's obligations until real estate taxes are collected. Maintaining a healthy fund balance is important for a positive bond rating, as well as potential resources to deal with unanticipated financial challenges as they may occur.

**Debt Service Fund**

The debt service fund had a net increase of \$6 thousand this year, improving slightly the ongoing fund balance at \$4.9 million. As historic low interest rates have continued, the School District has managed debt in a proactive manner to take advantage of refinance opportunities and include a component of variable rate financing in the debt portfolio. This reserve balance is maintained in part as a safety net because of the School District's variable

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**THE SCHOOL DISTRICT'S FUNDS (Continued)**

**Debt Service Fund (Continued)**

rate debt to mitigate the impact of potential future rate spikes, and also to provide a substantial balance to assist with making the required debt service payments on various bond issues over the next several years. This reserve has been critical in managing the School District's debt load and annual debt service payments, allowing the School District to complete the recent elementary school projects without additional millage impact on School District taxpayers due to the construction. Other areas of the budget continue to create pressure on tax millage, but ongoing debt service is a very positive aspect of the long-term financial outlook. By taking advantage of financing opportunities, the School District was able to decrease interest expense by \$325 thousand.

**Capital Project Fund**

The School District's capital project fund is comprised of the capital reserve fund and the construction project fund. The capital reserve fund balance decreased by about \$35 thousand to \$4.6 million. The School District utilizes capital reserve funds for spending needs related to major repair and small construction projects identified in a five year plan. Capital expenditures in the amount of \$1.5 million were incurred related to work on the Landisville Education Center. The remaining construction fund balance of \$22 thousand is restricted for additional construction commitments.

**GENERAL FUND BUDGETING HIGHLIGHTS**

The School District's general fund budget is prepared according to Pennsylvania law and is based on accounting for transactions as prescribed by the modified accrual basis of accounting.

During the course of fiscal 2015, the School District managed School District expenditures based on its general fund budget. At the end of the fiscal year, the board approved certain budgetary transfers to be made as needed, to comply with statutory requirements to update commitments and assignments of fund balance. Year-end transfers made to other funds had been anticipated within the approved budget for the year.

For the general fund, actual revenues were \$108.7 million, which was \$1.8 million more than the original budget estimates for revenues. The largest revenue variance relates to earned income tax collections, which were \$571 thousand higher than budget.

Actual expenditures for the year were \$108.5 million, \$98.6 million of that amount for operational expenses and \$9.9 million for fund transfers and debt service. These amounts were about \$200 more than the budgeted expenses. Due to the additional revenues collected over budget while expenses remained relatively on target, there was no need to spend from the \$1 million budgetary reserve line item.

**CAPITAL ASSETS and DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal 2015, the School District had \$149.9 million invested in land, buildings, equipment, vehicles, and construction in progress with \$148.7 million in governmental activities. Table 4 shows the fiscal 2015 balance compared to 2014.

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**CAPITAL ASSETS and DEBT ADMINISTRATION (Continued)**

**Capital Assets (Continued)**

**Table 4**  
**Capital Assets at June 30**  
(Net of Depreciation, in Millions)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Land	4.7	4.7	.0	.0	4.7	4.7
Building and Building Improvements	132.2	132.2	.0	.0	132.2	132.2
Furniture, Equipment, and Vehicles	11.6	11.8	1.2	1.3	12.8	13.1
Construction in Progress	<u>.2</u>	<u>4.8</u>	<u>.0</u>	<u>.0</u>	<u>.2</u>	<u>4.8</u>
<b>Total Capital Assets</b>	<b>148.7</b>	<b>153.5</b>	<b>1.2</b>	<b>1.3</b>	<b>149.9</b>	<b>154.8</b>

Property and equipment additions were \$2.1 million for the year 2014-2015. The largest capital asset placed in services this year was the Landisville Education Center of which \$4.8 million was carried as construction in progress at the end of June 30, 2014. A total of \$2.5 million of cost of equipment and building improvement items were removed from the fixed asset inventory, primarily due to the disposition of the Rohrerstown Education Center. A loss on the disposition of these assets of \$.9 million was recognized. Annual depreciation expense of \$6.0 million was recorded.

**Debt Administration**

At June 30, 2015, the School District had \$108.6 million in bonds outstanding, with \$6.6 million in principal due within one year. Table 5 summarizes bonds outstanding:

**Table 5**  
**Outstanding Debt at Year End (In Millions)**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
General Obligation Bonds:		
2009A Debt Refinancing	.0	4.8
2010 Note Restructuring	.0	8.0
2010A Note Restructuring	8.0	8.0
2011 Note Refinancing	3.2	3.2
2011A Bond Restructuring	8.0	8.1
2011B Floating Rate Note	.0	25.3
2012 Bond Financing	27.3	27.3
2012A Note Refinancing	10.6	11.6
2013 Bond	8.8	8.8
2014 Bond	6.1	6.3
2014A Bond	3.0	3.0
2015 Bond Variable Rate Refinancing	25.5	.0
2015A Bond Refinancing	<u>8.1</u>	<u>.0</u>
	<b>108.6</b>	<b>114.4</b>

**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**CAPITAL ASSETS and DEBT ADMINISTRATION (Continued)**

**Debt Administration (Continued)**

In 2015, the School District took advantage of two opportunities to refund and reissue bonds. The 2015 General Obligation Bonds were issued to refund the Series B 2011 General Obligation Bonds and the Series A of 2015 General Obligation bonds were issued to advance refund the Series of 2010 General Obligation Bonds. Moody's Investors Service, Inc. has assigned the School District a rating of AA2 which indicates the obligations are rated to be of high quality and subject to low credit risk.

**FOR THE FUTURE**

**Hempfield School District** continues to be strong financially. As the preceding information shows, the School District maintains a healthy investment in fixed assets to support and provide comprehensive educational services, considers future implications of current and ongoing financial obligations, and prudently manages its financial assets. Strong academic performance is supported by reasonable and competitive per pupil spending. Pre-funding of a portion of debt service payments for the next several years will allow the School District to meet some of the budgetary challenges it faces in the current economic climate.

In many ways, the 2014-15 year was indicative of the challenges faced by public school districts in the current environment. Without tax increases, most revenue categories are not growing, yet many expenses continue to increase, and in some cases - such as the PSERS benefit - increase at alarming rates. There is a continuing challenge to balance an annual budget within the constraints of a struggling economy and the threat of further cost escalations in the immediate future. School districts must keep an eye on the future and plan prudently while working within the current political and economic reality. It is a difficult balance to achieve.

Budgetary constraints under Act 1 must also be balanced with increasing demands of a more diverse student population, both ethnically and economically. There is a much greater need for additional services to our English language learners, more stringent standards under federal and state guidelines for academic requirements, and ever-increasing standards for special education services to both IEP and gifted students. All of these education and instruction-based needs must be balanced with the significant salary and benefit costs necessary to support a staff of highly-qualified professional teachers and support staff. While creative solutions such as wage freezes and elimination of positions through attrition help to accomplish reductions in costs, contractual obligations continue to challenge the ability to meet educational needs while finding ways to achieve at a high level with fewer positions remaining across the School District. To accomplish the goals, there is a continued emphasis on innovation, delivering instruction in cost-effective ways, seeking revenue generation via initiatives such as our Chinese language distance learning partnerships and the open campus initiative, and offering other school districts the opportunity to buy slots in our highly effective alternative education program.

**Funding of Public Education**

Public school districts face many challenges to funding streams, as assessment appeals reduce tax base, interest rates continue to hover just above zero, and state legislators continue to debate shifting funds from public to private institutions and potentially eliminating property taxes. The School District continues to emphasize quality educational programs, academic progress for all students, and striking a balance between the costs of meeting those educational needs of students with the increasing tax burden on local taxpayers.



**Hempfield School District**  
MANAGEMENT'S DISCUSSION and ANALYSIS  
(Continued)  
Year Ended June 30, 2015

**FOR THE FUTURE (Continued)**

**Bond Debt and Debt Service**

The School District currently carries about \$108.6 million in debt through various bond issues. Most of this debt is carried in fixed rate bonds, but the addition of variable rate interest bonds to the portfolio has enabled the School District to take advantage of historically low interest rates. There are no additional borrowing needs anticipated in the immediate future, but the School District may take advantage of other refinancing opportunities in the near future.

**Future Budgets**

It has been common over the years to say that we are facing challenging budget situations. School districts have been forced to consider cost cutting initiatives to be able to cover escalating costs with little or no change in federal or state funding. The future budgets for Pennsylvania school districts will be impacted in some form by the budget, once passed by the new Governor, which is currently more than 100 days late as of this published financial statement date.

In conclusion, **Hempfield School District** has committed itself to financial and educational excellence for many years. The School District's system of budgeting and internal controls are well regarded and consistently followed. All that we do must be evaluated from a long-term and strategic perspective to continue to meet the increasing demands and effectively address the financial pressures we face. Continued diligence in all financial matters will be a key component of continued financial performance well into the future.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it received. If you have questions about this report or need additional financial information please contact Sheryl Pursel, Business Manager at **Hempfield School District**, 200 Church Street, Landisville, PA 17538.

# Hempfield School District

## STATEMENT of NET POSITION

June 30, 2015

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 23,489,566	\$ 7,675	\$ 23,497,241
Investments	14,954,678	246,553	15,201,231
Taxes Receivable, net	2,481,319	-0-	2,481,319
Internal Balances	240,548	(240,548)	-0-
Due from Other Governments	3,146,258	-0-	3,146,258
Other Receivables	109,221	7,059	116,280
Inventories	45,355	52,749	98,104
<b>Total Current Assets</b>	<b>44,466,945</b>	<b>73,488</b>	<b>44,540,433</b>
<b>Noncurrent Assets</b>			
Land	4,687,257	-0-	4,687,257
Building and Building Improvements, net of Accumulated Depreciation	132,232,554	-0-	132,232,554
Furniture and Equipment, net of Accumulated Depreciation	11,431,181	1,184,035	12,615,216
Vehicles, net of Accumulated Depreciation	118,180	-0-	118,180
Construction in Progress	232,984	-0-	232,984
<b>Total Noncurrent Assets</b>	<b>148,702,156</b>	<b>1,184,035</b>	<b>149,886,191</b>
<b>TOTAL ASSETS</b>	<b><u>193,169,101</u></b>	<b><u>1,257,523</u></b>	<b><u>194,426,624</u></b>
<b>DEFERRED OUTFLOWS of RESOURCES</b>			
Loss on Bond Refunding, net of Accumulated Amortization	19,173	-0-	19,173
Deferred Outflows - Pension	12,544,501	256,010	12,800,511
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 12,563,674</u></b>	<b><u>\$ 256,010</u></b>	<b><u>\$ 12,819,684</u></b>

See notes to financial statements.

# Hempfield School District

## STATEMENT of NET POSITION

(Continued)

June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 4,537,527	\$ 13,629	\$ 4,551,156
Current Portion of Long-Term Debt	6,625,000	-0-	6,625,000
Accrued Salaries and Benefits	10,435,840	-0-	10,435,840
Compensated Absences, Due Within One Year	796,626	18,834	815,460
Accrued Interest on Long-Term Debt	671,773	-0-	671,773
Payroll Deductions and Withholdings	558,491	-0-	558,491
Unearned Revenues	43,854	86,876	130,730
Other Current Liabilities	92,693	-0-	92,693
<b>Total Current Liabilities</b>	<b>23,761,804</b>	<b>119,339</b>	<b>23,881,143</b>
<b>Noncurrent Liabilities</b>			
Net Pension Liability	150,346,562	3,068,297	153,414,859
Bonds Payable, net of Unamortized Discount and Premium	106,128,088	-0-	106,128,088
Accrued Retirement Bonuses	1,126,118	945	1,127,063
Long-Term Portion of Compensated Absences	1,999,667	44,549	2,044,216
Net Other Postemployment Benefit (OPEB) Liability	2,077,792	-0-	2,077,792
<b>Total Noncurrent Liabilities</b>	<b>261,678,227</b>	<b>3,113,791</b>	<b>264,792,018</b>
<b>TOTAL LIABILITIES</b>	<b>285,440,031</b>	<b>3,233,130</b>	<b>288,673,161</b>
<b>DEFERRED INFLOWS of RESOURCES</b>			
Deferred Inflows - Pension	10,748,073	219,348	10,967,421
<b>NET POSITION</b>			
Net Investment in Capital Assets	35,971,213	1,184,035	37,155,248
Unrestricted	(126,426,542)	(3,122,980)	(129,549,522)
<b>TOTAL NET POSITION</b>	<b>\$ (90,455,329)</b>	<b>\$ (1,938,945)</b>	<b>\$ (92,394,274)</b>

See notes to financial statements.

## Hempfield School District

### STATEMENT of ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 73,886,687	\$ 157,009	\$ 12,417,302	\$ -0-	\$ (61,312,376)	\$ -0-	\$ (61,312,376)
Instructional Student Support	7,933,802	-0-	1,066,265	-0-	(6,867,537)	-0-	(6,867,537)
Administrative and Financial Support Services	9,891,704	50,481	660,731	-0-	(9,180,492)	-0-	(9,180,492)
Operation and Maintenance of Plant Services	8,746,505	141,249	343,852	-0-	(8,261,404)	-0-	(8,261,404)
Pupil Transportation	5,162,069	-0-	1,234,704	-0-	(3,927,365)	-0-	(3,927,365)
Student Activities	1,835,978	278,726	132,183	-0-	(1,425,069)	-0-	(1,425,069)
Interest on Long-Term Debt	3,022,605	-0-	-0-	1,639,158	(1,383,447)	-0-	(1,383,447)
Depreciation - Unallocated *	582,357	-0-	-0-	-0-	(582,357)	-0-	(582,357)
<b>Total Governmental Activities</b>	<b>111,061,707</b>	<b>627,465</b>	<b>15,855,037</b>	<b>1,639,158</b>	<b>(92,940,047)</b>	<b>-0-</b>	<b>(92,940,047)</b>
Business-Type Activities:							
Food Service	3,305,521	1,547,227	1,441,646	750	-0-	(315,898)	(315,898)
Child Care	276,234	379,293	-0-	-0-	-0-	103,059	103,059
<b>Total Business-Type Activities</b>	<b>3,581,755</b>	<b>1,926,520</b>	<b>1,441,646</b>	<b>750</b>	<b>-0-</b>	<b>(212,839)</b>	<b>(212,839)</b>
<b>Total Government</b>	<b><u>\$ 114,643,462</u></b>	<b><u>\$ 2,553,985</u></b>	<b><u>\$ 17,296,683</u></b>	<b><u>\$ 1,639,908</u></b>	<b>\$ (92,940,047)</b>	<b>\$ (212,839)</b>	<b>\$ (93,152,886)</b>

\* Excludes depreciation charged directly to various functions.

See notes to financial statements.

## Hempfield School District

### STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
General Revenues:							
Taxes:							
Property Taxes, Levied for							
General Purposes, net					\$ 68,526,895	\$ -0-	\$ 68,526,895
Public Utility Realty and Earned Income Taxes							
Levied for General Purposes, net					8,133,782	-0-	8,133,782
Unrestricted Grants and Subsidies					13,496,177	-0-	13,496,177
Unrestricted Investment Earnings					115,136	74	115,210
Miscellaneous Income					246,617	52	246,669
Special Item - Loss on Fixed Asset Dispositions					(990,618)	-0-	(990,618)
Transfers In (Out)					103,059	(103,059)	-0-
<b>Total General Revenues and Transfers</b>					<b>89,631,048</b>	<b>(102,933)</b>	<b>89,528,115</b>
<b>CHANGES in NET POSITION</b>					<b>(3,308,999)</b>	<b>(315,772)</b>	<b>(3,624,771)</b>
<b>NET POSITION</b>							
Beginning, As Originally Stated					57,957,967	1,338,139	59,296,106
Cumulative Effect of Change in Accounting Principle (Note 21)					(145,104,297)	(2,961,312)	(148,065,609)
Beginning, Restated					<b>(87,146,330)</b>	<b>(1,623,173)</b>	<b>(88,769,503)</b>
<b>Ending</b>					<b>\$ (90,455,329)</b>	<b>\$ (1,938,945)</b>	<b>\$ (92,394,274)</b>

See notes to financial statements.

**Hempfield School District**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Project Fund	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 17,774,563	\$ -0-	\$ 4,406,737	\$ 22,181,300
Investments	1,782,491	4,899,853	139,567	6,821,911
Taxes Receivable, net	2,481,319	-0-	-0-	2,481,319
Due from Other Funds	240,548	-0-	449,281	689,829
Due from Other Governments	3,146,258	-0-	-0-	3,146,258
Other Receivables	93,668	4,078	-0-	97,746
Inventories	45,355	-0-	-0-	45,355
<b>TOTAL ASSETS</b>	<b><u>25,564,202</u></b>	<b><u>4,903,931</u></b>	<b><u>4,995,585</u></b>	<b><u>35,463,718</u></b>
<b>LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	3,269,709	-0-	364,504	3,634,213
Due to Other Funds	449,281	-0-	-0-	449,281
Accrued Salaries and Benefits	10,435,840	-0-	-0-	10,435,840
Payroll Deductions and Withholdings	558,491	-0-	-0-	558,491
Unearned Revenues	43,854	-0-	-0-	43,854
Other Liabilities	99,724	-0-	-0-	99,724
<b>TOTAL LIABILITIES</b>	<b><u>14,856,899</u></b>	<b><u>-0-</u></b>	<b><u>364,504</u></b>	<b><u>15,221,403</u></b>
<b>DEFERRED INFLOWS of RESOURCES</b>				
Delinquent Real Estate Taxes	<b>730,844</b>	<b>-0-</b>	<b>-0-</b>	<b>730,844</b>
<b>FUND BALANCES</b>				
Nonspendable	45,355	-0-	-0-	45,355
Restricted	-0-	-0-	22,145	22,145
Committed	2,000,000	-0-	-0-	2,000,000
Assigned	2,000,000	4,903,931	4,608,936	11,512,867
Unassigned	5,931,104	-0-	-0-	5,931,104
<b>TOTAL FUND BALANCES</b>	<b><u>9,976,459</u></b>	<b><u>4,903,931</u></b>	<b><u>4,631,081</u></b>	<b><u>19,511,471</u></b>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES and FUND BALANCES</b>	<b><u>\$ 25,564,202</u></b>	<b><u>\$ 4,903,931</u></b>	<b><u>\$ 4,995,585</u></b>	<b><u>\$ 35,463,718</u></b>

See notes to financial statements.

# Hempfield School District

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
to the STATEMENT of NET POSITION  
June 30, 2015

Total fund balances - governmental funds	\$ 19,511,471
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 as assets in governmental funds. The cost of assets is \$218,561,181, and the accumulated depreciation is \$69,859,025.	148,702,156
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	8,556,225
Property taxes receivable are available for collection this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	730,844
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Net Pension Liability	(150,346,562)
Bonds Payable	(108,655,000)
Accrued Interest on Long-Term Debt	(671,773)
Bond Discount, net of Amortization	17,005
Bond Premium, net of Amortization	(4,115,093)
Net Other Postemployment Benefit (OPEB) Liability	(2,077,792)
Accrued Retirement Bonuses	(1,126,118)
Compensated Absences	(2,796,293)
Deferred inflows of resources - pension are not due and payable in the current period and, therefore, are not reported in the funds.	(10,748,073)
Deferred outflows of resources are not due and collectable in the current period and, therefore, are not reported in the funds. Deferred outflows of resources consist of:	
Deferred Outflows - Pension	12,544,501
Loss on Bond Refinancing, net of Accumulated Amortization	<u>19,173</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (90,455,329)</u></b>

See notes to financial statements.

## Hempfield School District

STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	Debt Service Fund	Capital Project Fund	
<b>REVENUES</b>				
Local Sources:				
Real Estate Taxes	\$ 68,632,119	\$ -0-	\$ -0-	\$ 68,632,119
Other Taxes	8,093,782	-0-	-0-	8,093,782
Investment Earnings	96,165	7,172	11,799	115,136
Other Revenue	<u>2,358,615</u>	<u>-0-</u>	<u>-0-</u>	<u>2,358,615</u>
Total Local Sources	79,180,681	7,172	11,799	79,199,652
State Sources	27,771,314	-0-	-0-	27,771,314
Federal Sources	<u>1,748,758</u>	<u>-0-</u>	<u>-0-</u>	<u>1,748,758</u>
<b>Total Revenues</b>	<b>108,700,753</b>	<b>7,172</b>	<b>11,799</b>	<b>108,719,724</b>
<b>EXPENDITURES</b>				
Instructional Services	67,203,841	-0-	-0-	67,203,841
Support Services	29,639,173	-0-	-0-	29,639,173
Noninstructional Services	1,780,003	-0-	-0-	1,780,003
Capital Outlay	-0-	-0-	1,988,072	1,988,072
Debt Service	-0-	9,683,756	-0-	9,683,756
Bond Issuance Costs	<u>-0-</u>	<u>355,841</u>	<u>-0-</u>	<u>355,841</u>
<b>Total Expenditures</b>	<b>98,623,017</b>	<b>10,039,597</b>	<b>1,988,072</b>	<b>110,650,686</b>
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>				
	<b>10,077,736</b>	<b>(10,032,425)</b>	<b>(1,976,273)</b>	<b>(1,930,962)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Advance Refunding Bond Proceeds	-0-	33,640,000	-0-	33,640,000
Advance Refunding of Bond Principal	-0-	(33,310,000)	-0-	(33,310,000)
Premium on Refunding Bonds	-0-	184,302	-0-	184,302
Refund of Prior Years' Revenues	(14,621)	-0-	-0-	(14,621)
Transfers In (Out)	(9,870,911)	9,524,689	449,281	103,059
Proceeds from Sale of Fixed Assets	<u>4,485</u>	<u>-0-</u>	<u>-0-</u>	<u>4,485</u>
<b>Net Other Financing Sources (Uses)</b>	<b>(9,881,047)</b>	<b>10,038,991</b>	<b>449,281</b>	<b>607,225</b>
<b>NET CHANGES in FUND BALANCES</b>				
	<b>196,689</b>	<b>6,566</b>	<b>(1,526,992)</b>	<b>(1,323,737)</b>
<b>FUND BALANCES</b>				
Beginning	<u>9,779,770</u>	<u>4,897,365</u>	<u>6,158,073</u>	<u>20,835,208</u>
Ending	<b><u>\$ 9,976,459</u></b>	<b><u>\$ 4,903,931</u></b>	<b><u>\$ 4,631,081</u></b>	<b><u>\$ 19,511,471</u></b>

See notes to financial statements.



**Hempfield School District**  
 RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of  
 REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES  
 to the STATEMENT of ACTIVITIES  
 Year Ended June 30, 2015

Total net changes in fund balances - governmental funds \$ (1,323,737)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation exceeds capital outlays in the period is as follows:

Remaining Basis of Capital Assets Sold or Retired	(995,103)	
Depreciation Expense	(6,062,936)	
Capital Outlays	<u>2,213,491</u>	(4,844,548)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered available revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (65,224)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the 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 premiums and discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items. (33,349,183)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 39,430,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. \$ 66,032

See notes to financial statements.

## Hempfield School District

### RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES

(Continued)

Year Ended June 30, 2015

In the statement of activities, certain operating expenses (e.g., compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

\$ 53,901

In the statement of activities, certain operating expenses (e.g., retirement bonuses) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

191,731

In the statement of activities, certain operating expenses (e.g., other postemployment benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

(329,164)

In the statement of activities, deferred inflows of resources - pension, deferred outflows of resources - pension, and pension expense are recognized in conjunction with net pension liability. Whereas in the governmental funds, pension expense is recorded when required contributions are payable.

(3,445,837)

The internal service funds, which are used by management to charge the costs of services to individual funds, are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The change in net position of the internal service funds is allocated among the governmental activities.

307,030

#### **CHANGES in NET POSITION of GOVERNMENTAL ACTIVITIES**

**\$ (3,308,999)**

See notes to financial statements.

# Hempfield School District

## STATEMENT of NET POSITION -

### PROPRIETARY FUNDS

June 30, 2015

	Enterprise Funds			
	Major Fund Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 7,675	\$ -0-	\$ 7,675	\$ 1,308,266
Investments	246,553	-0-	246,553	8,132,767
Other Receivables	7,059	-0-	7,059	11,475
Inventories	52,749	-0-	52,749	-0-
<b>Total Current Assets</b>	<b>314,036</b>	<b>-0-</b>	<b>314,036</b>	<b>9,452,508</b>
<b>Noncurrent Assets</b>				
Furniture and Equipment, net of Accumulated Depreciation	<u>1,184,035</u>	-0-	<u>1,184,035</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b>1,498,071</b>	<b>-0-</b>	<b>1,498,071</b>	<b>9,452,508</b>
<b>DEFERRED OUTFLOWS of RESOURCES - PENSION</b>	<u>256,010</u>	-0-	<u>256,010</u>	<u>-0-</u>
<b>TOTAL ASSETS and DEFERRED OUTFLOWS of RESOURCES</b>	<b><u>1,754,081</u></b>	<b><u>-0-</u></b>	<b><u>1,754,081</u></b>	<b><u>9,452,508</u></b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	13,629	-0-	13,629	896,283
Due to Other Funds	240,548	-0-	240,548	-0-
Compensated Absences, Due Within One Year	18,834	-0-	18,834	-0-
Unearned Revenues	86,876	-0-	86,876	-0-
<b>Total Current Liabilities</b>	<b>359,887</b>	<b>-0-</b>	<b>359,887</b>	<b>896,283</b>
<b>Noncurrent Liabilities</b>				
Accrued Retirement Bonus	945	-0-	945	-0-
Net Pension Liability	3,068,297	-0-	3,068,297	-0-
Long-Term Portion of Compensated Absences	44,549	-0-	44,549	-0-
<b>Total Noncurrent Liabilities</b>	<b>3,113,791</b>	<b>-0-</b>	<b>3,113,791</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>3,473,678</b>	<b>-0-</b>	<b>3,473,678</b>	<b>896,283</b>
<b>DEFERRED INFLOWS of RESOURCES - PENSION</b>	<u>219,348</u>	-0-	<u>219,348</u>	<u>-0-</u>
<b>TOTAL LIABILITIES and DEFERRED INFLOWS of RESOURCES</b>	<b><u>3,693,026</u></b>	<b><u>-0-</u></b>	<b><u>3,693,026</u></b>	<b><u>896,283</u></b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,184,035	-0-	1,184,035	-0-
Unrestricted	(3,122,980)	-0-	(3,122,980)	8,556,225
<b>TOTAL NET POSITION</b>	<b><u>\$ (1,938,945)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ (1,938,945)</u></b>	<b><u>\$ 8,556,225</u></b>

See notes to financial statements.

## Hempfield School District

### STATEMENT of REVENUES, EXPENSES, and CHANGES in NET POSITION - PROPRIETARY FUNDS

Year Ended June 30, 2015

	Enterprise Funds			
	Major Fund			
	Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>				
Food Service Revenue	\$ 1,458,450	\$ -0-	\$ 1,458,450	\$ -0-
Charges for Services	84,991	379,293	464,284	12,357,130
Miscellaneous	3,837	-0-	3,837	-0-
<b>Total Operating Revenues</b>	<b>1,547,278</b>	<b>379,293</b>	<b>1,926,571</b>	<b>12,357,130</b>
<b>OPERATING EXPENSES</b>				
Salaries	1,101,799	-0-	1,101,799	-0-
Employee Benefits	623,964	-0-	623,964	12,069,405
Pension Expense	70,323	-0-	70,323	-0-
Purchased Professional and Technical Services	73,041	-0-	73,041	-0-
Other Purchased Services	741	276,234	276,975	-0-
Supplies	1,314,624	-0-	1,314,624	-0-
Depreciation	118,268	-0-	118,268	-0-
Other Operating Expenses	2,760	-0-	2,760	-0-
<b>Total Operating Expenses</b>	<b>3,305,520</b>	<b>276,234</b>	<b>3,581,754</b>	<b>12,069,405</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,758,242)</b>	<b>103,059</b>	<b>(1,655,183)</b>	<b>287,725</b>
<b>NONOPERATING REVENUES</b>				
Investment Earnings	74	-0-	74	19,305
State Sources	233,807	-0-	233,807	-0-
Federal Sources	1,208,589	-0-	1,208,589	-0-
<b>Net Nonoperating Revenues</b>	<b>1,442,470</b>	<b>-0-</b>	<b>1,442,470</b>	<b>19,305</b>
<b>Income (Loss) Before Transfers</b>	<b>(315,772)</b>	<b>103,059</b>	<b>(212,713)</b>	<b>307,030</b>
<b>TRANSFERS OUT</b>	<b>-0-</b>	<b>(103,059)</b>	<b>(103,059)</b>	<b>-0-</b>
<b>CHANGES in NET POSITION</b>	<b>(315,772)</b>	<b>-0-</b>	<b>(315,772)</b>	<b>307,030</b>
<b>NET POSITION</b>				
Beginning, as Originally Stated	1,338,139	-0-	1,338,139	8,249,195
Cummulative Effect of Change in Accounting Principle (Note 21)	(2,961,312)	-0-	(2,961,312)	-0-
Beginning, as Restated	<b>(1,623,173)</b>	<b>-0-</b>	<b>(1,623,173)</b>	<b>8,249,195</b>
<b>Ending</b>	<b>\$ (1,938,945)</b>	<b>\$ -0-</b>	<b>\$ (1,938,945)</b>	<b>\$ 8,556,225</b>

See notes to financial statements.

# Hempfield School District

## STATEMENT of CASH FLOWS -

### PROPRIETARY FUNDS

Year Ended June 30, 2015

	Enterprise Funds			
	Major Fund			
	Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS from OPERATING ACTIVITIES</b>				
Cash Received from Users	\$ 1,558,950	\$ 379,293	\$ 1,938,243	\$ 12,357,130
Cash Payments to Employees for Services	(952,158)	-0-	(952,158)	-0-
Cash Payments for Employee Benefits	(623,964)	-0-	(623,964)	(12,096,119)
Cash Payments to Suppliers for Goods and Services	(1,287,902)	(276,234)	(1,564,136)	-0-
Cash Payments for Other Operating Expenses	(2,760)	-0-	(2,760)	(1,342)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(1,307,834)</b>	<b>103,059</b>	<b>(1,204,775)</b>	<b>259,669</b>
<b>CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES</b>				
Cash Payments for Purchase of Capital Assets	(1,634)	-0-	(1,634)	-0-
<b>CASH FLOWS from NONCAPITAL FINANCING ACTIVITIES</b>				
State Sources	235,604	-0-	235,604	-0-
Federal Sources	1,099,695	-0-	1,099,695	-0-
Transfers Out to Other Funds	-0-	(103,059)	(103,059)	-0-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>1,335,299</b>	<b>(103,059)</b>	<b>1,232,240</b>	<b>-0-</b>
<b>CASH FLOWS from INVESTING ACTIVITIES</b>				
Investment Earnings	74	-0-	74	24,659
Additions to Investment Pools	(24,267)	-0-	(24,267)	(11,447)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(24,193)</b>	<b>-0-</b>	<b>(24,193)</b>	<b>13,212</b>
<b>INCREASE in CASH and CASH EQUIVALENTS</b>	<b>1,638</b>	<b>-0-</b>	<b>1,638</b>	<b>272,881</b>
<b>CASH and CASH EQUIVALENTS</b>				
Beginning of Year	6,037	-0-	6,037	1,035,385
<b>End of Year</b>	<b>\$ 7,675</b>	<b>\$ -0-</b>	<b>\$ 7,675</b>	<b>\$ 1,308,266</b>

See notes to financial statements.

**Hempfield School District**

PROPRIETARY FUNDS

(Continued)

Year Ended June 30, 2015

	Enterprise Funds			
	<u>Major Fund</u>			
	Food Service Fund	Nonmajor Fund	Total Enterprise Funds	Internal Service Funds
<b>RECONCILIATION of OPERATING INCOME</b>				
<b>(LOSS) to NET CASH PROVIDED by</b>				
<b>OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,758,242)	\$ 103,059	\$ (1,655,183)	\$ 287,725
 <b>ADJUSTMENTS to RECONCILE OPERATING</b>				
<b>INCOME (LOSS) to NET CASH PROVIDED</b>				
<b>by OPERATING ACTIVITIES</b>				
Depreciation	118,268	-0-	118,268	-0-
Donated Commodities Used	132,432	-0-	132,432	-0-
Decrease in Receivables	5,966	-0-	5,966	(10,339)
Decrease in Inventory	1,774	-0-	1,774	-0-
Decrease in Accounts Payable	(33,702)	-0-	(33,702)	(17,717)
Increase in Accrued Salaries and Benefits	219,994	-0-	219,994	-0-
Increase in Unearned Revenue	5,676	-0-	5,676	-0-
<b>Total Adjustments</b>	<b>450,408</b>	<b>-0-</b>	<b>450,408</b>	<b>(28,056)</b>
<b>Net Cash Provided (Used) by</b>				
<b>Operating Activities</b>	<b>\$ (1,307,834)</b>	<b>\$ 103,059</b>	<b>\$ (1,204,775)</b>	<b>\$ 259,669</b>
 <b>SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION</b>				
<b>NONCASH FLOWS from NONCAPITAL and</b>				
<b>RELATED FINANCING ACTIVITIES</b>				
Receipt of USDA Donated Commodities	139,899	-0-	139,899	-0-
Use of USDA Donated Commodities	(132,432)	-0-	(132,432)	-0-

See notes to financial statements.

**Hempfield School District**

STATEMENT of NET POSITION -

FIDUCIARY FUNDS

June 30, 2015

	Scholarship Fund	Activity Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 101,083	\$ 172,692
Investments	<u>994</u>	<u>-0-</u>
<b>TOTAL ASSETS</b>	<b><u>102,077</u></b>	<b><u>172,692</u></b>
<b>LIABILITIES</b>		
Accounts Payable	-0-	3,479
Other Current Liabilities	<u>-0-</u>	<u>169,213</u>
<b>TOTAL LIABILITIES</b>	<b><u>-0-</u></b>	<b><u>172,692</u></b>
<b>NET POSITION</b>		
Restricted for Scholarships	<b><u>\$ 102,077</u></b>	<b><u>\$ -0-</u></b>

See notes to financial statements.

**Hempfield School District**  
 STATEMENT of CHANGES in NET POSITION -  
 FIDUCIARY FUNDS  
 Year Ended June 30, 2015

	<b>Scholarship Fund</b>
<b>ADDITIONS</b>	
Gifts and Contributions	\$ 10,324
Investment Earnings	<u>261</u>
<b>Total Additions</b>	<b>10,585</b>
<b>DEDUCTIONS</b>	
Scholarships Awarded	<u>12,050</u>
<b>CHANGES in NET POSITION</b>	<b>(1,465)</b>
<b>NET POSITION</b>	
Beginning	<u>103,542</u>
<b>Ending</b>	<b><u><u>\$ 102,077</u></u></b>

See notes to financial statements.



**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES**

**Hempfield School District**, located in Lancaster County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in West Hempfield Township, East Hempfield Township, Mountville Borough, and East Petersburg Borough. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The School District is comprised of seven elementary schools, two middle schools, and one high school, serving approximately 7,100 students.

The accounting policies of **Hempfield School District** conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

**Reporting Entity**

Consistent with guidance contained in Statement No. 14 of the Governmental Accounting Standards Board (GASB), *The Financial Reporting Entity* and as amended in Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the criteria used by the School District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and so forth) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

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

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

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

3. Organizations which are fiscally dependent on the School District and have a financial benefit or burden as defined above. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the School District.

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures**

**Lancaster County Career and Technology Center**

The School District is one of 16 member school districts of the Lancaster County Career and Technology Centers (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the Area Career and Technology Center Board for Lancaster County, which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates, based upon the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2015, was approximately \$854,000. Complete general purpose financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**Lancaster County Career and Technology Center Authority**

The School District is also a member of the Lancaster County Career and Technology Center Authority (Authority). In 1968, the Authority entered into an agreement with the member school districts and the Career and Technology Center Board to acquire land and construct buildings to provide the facilities for the operation of LCCTC. The School District has entered into an operating lease with the LCCTC and the Authority as more fully disclosed in Note 19 and paid approximately \$150,000 for debt service to the Authority. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

**Lancaster-Lebanon Joint Authority**

The School District is a member of the Lancaster-Lebanon Joint Authority (Authority). The Authority was incorporated on February 14, 1980, under the Municipality Authorities Act of 1945, Act of May 2, 1945, P. L. 382, as amended by the Boards of School Directors of the 22 school districts located in Lancaster and Lebanon counties. The school districts established the Authority for the purposes of acquiring, holding, constructing, improving, maintaining, operating, owning and/or leasing projects for public school purposes and for the purposes of the Lancaster-Lebanon Intermediate Unit No. 13. The Authority is not reported as part of the School District's reporting entity. The School District did not have any financial transactions with the Authority during the year ended June 30, 2015. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

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

The LLIU Board of Directors consists of 22 members from the IU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' Boards of Directors. **Hempfield School District** is responsible for appointing one of these members. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. **Hempfield School District** contracts with the LLIU for special education services for School District students. The amount paid for these services in the year ended June 30, 2015, was approximately \$2,950,000. Complete financial information for the LLIU can be obtained from the Administrative Office at 1020 New Holland Pike, Lancaster, PA 17601.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (Continued)**

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

The School District participates with 16 other school districts and the municipalities represented by those school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee and 16 members are appointed by the participating municipalities. The Bureau's operating expenditures are deducted from the distributions which are made quarterly. The School District's portion of the operating expenditures for the year ended June 30, 2015, was \$125,788. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

**Lancaster-Lebanon Public Schools Employees' Health Care Consortium (EHCC)**

The School District participates with 14 other school districts in a self-insured stop-loss pool. The School District is self-insured for claims up to \$150,000. The pool reimburses monies to the School District for individual claims above \$150,000 up to \$200,000. The pool has commercial insurance for claims greater than \$200,000. The School District contribution to the pool for the year ended June 30, 2015, was approximately \$620,000 for excess loss insurance coverage.

**Basis of Presentation - Fund Accounting**

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

**Basis of Presentation - Financial Statements**

**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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents direct expenses and program revenues 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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Government-Wide Financial Statements (Continued)**

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. 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 as well as deferred inflows and outflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net 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.

The School District reports the following major governmental funds:

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

**Capital Project Fund** - This fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund includes the capital reserve fund and any bond construction funds held by the School District.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest, and for the payment of future variable interest debt payments.

The School District reports the following major proprietary fund:

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

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

The School District reports the following nonmajor proprietary fund:

**Child Care Fund** - This fund accounts for revenues generated and related costs incurred from a child care center established by the School District.

The School District accounts for assets held by the School District in a trustee capacity in a private purpose trust fund. This fund accounts for the receipts and disbursement of monies contributed to the School District for scholarships and memorials.

The agency fund is used to account for assets held by the School District as agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. This fund includes the student activities fund.

**Basis of Accounting**

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Government-wide, proprietary, and fiduciary fund financial statements measure and report all assets, liabilities, deferred inflows and outflows of resources, revenues, expenses, gains, and losses using the economic resources measurement focus and 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. 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.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the School District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except debt service and compensated absence payments which are recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments. Current property taxes measurable at June 30, 2015, which are not intended to finance fiscal 2015 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue at year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Accounting (Continued)**

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of the School District's food service fund are charges to students and staff for food. Operating expenses include the costs to provide food. The principal operating revenues of the School District's daycare fund are charges for daycare services to parents. Operating expenses include the cost for the operation and management of the daycare center. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand and interest-bearing bank deposits and in repurchase agreements. They are carried at cost plus accrued interest, which approximates fair value.

**Investments**

Investments are recorded at fair value.

**Taxes Receivable and Deferred Inflows of Tax Revenues**

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other taxes receivable is recorded as deferred inflows of resources. All taxes receivable are considered to be fully collectible (Note 4).

**Inventories**

Inventories in the cafeteria fund represent the cost using the first-in/first-out (FIFO) method of food and supplies on hand at June 30, 2015. Any unused commodities donated by the federal government at June 30, 2015, were reported as unearned revenue since title does not pass to the School District until the commodities are used. The general fund inventory is comprised of supplies to be used in future years.

**Capital Assets and Depreciation**

The School District's property, plant, and equipment with useful lives of more than one year are stated at historical cost (or estimated historical cost) and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The School District generally capitalizes assets with a cost of \$1,500

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation (Continued)**

or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Estimated historical costs of capital assets were derived, when information supporting historical costs was not obtainable, by adjusting current replacement cost back to the estimated year of acquisition. Estimated useful lives, in years, for depreciable assets are generally as follows:

School Buildings	30 - 40 Years
Building Improvements	20 - 40 Years
Land Improvements	15 - 20 Years
Furniture, Fixtures, and Equipment	3 - 20 Years
Vehicles	8 - 10 Years

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. They are recategorized as loss on bond refinancing in the event that debt is refinanced. Amortization continues over the life of the new or refinanced debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and any related issuance premiums are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences and Retirement Bonuses**

The School District accrues unused vacation, sick leave, and personal days as a liability. Upon termination or retirement, the employee will be paid for these accumulated absences in accordance with School District policy. The School District also accrues retirement bonuses to be paid out at retirement in accordance with School District policy.

For governmental funds, that portion of unpaid compensated absences and retirement bonuses that are expected to be paid using expendable, available resources are reported as expenditures in the fund from which the individual earning the leave or bonus is paid, and a corresponding liability reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences and retirement bonuses using the rates in effect at the balance sheet date. The School District has accrued the employer's share of social security and Medicare taxes on those balances not expected to be transferred to a tax-sheltered annuity (TSA) account.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Pension Plan**

Substantially all full-time and qualifying part-time employees of the School District participate in a cost-sharing multiple employer defined benefit pension plan. The School District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The School District made all required contributions for the year ended June 30, 2015, and has recognized them as expenditures in the governmental funds.

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

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year end are included with committed or assigned fund balances, as appropriate, because they do not constitute expenditures or liabilities. As of June 30, 2015, the School District had no encumbrances.

**Interfund Activity**

Exchange transactions between governmental funds are eliminated on the government-wide statements.

Exchange transactions 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.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Fund Balance Classification**

Fund balance for the governmental funds can be classified in five different categories: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact.

Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers.



**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance Classification (Continued)**

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School Board. Commitments may be changed only by the government taking the same formal action that imposed the constraint originally.

Assigned fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the Finance Committee and the Director of Finance. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance is the residual classification for the general fund and includes all amounts not contained in other classifications. Unassigned amounts are available for any purpose.

The School District typically pays expenditures from a fund's unrestricted resources when both restricted and unrestricted fund balance is available. The School District will elect to use restricted resources based on specific circumstances when considered necessary. The School District considers restricted, committed, and assigned amounts to have been spent when an expenditure is incurred and such an election has been made.

The School District has formally adopted a minimum fund balance policy for the general fund. The policy states that the School District will strive to maintain an unassigned general fund balance of not less than five percent and not more than eight percent of the budgeted expenditures for that fiscal year.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates used in preparation of these financial statements include depreciation, compensated absences, retirement bonus accrual, expense allocations, pension related items, and other postemployment benefits. Actual results could differ from those estimates.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year 2015.

**Accounting Standards Adopted in 2015**

During the current year, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, which amends GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. As a result of implementation of this standard in 2015, the School District reports an actuarial calculation of its proportionate share of net pension liability. Disclosures and required supplementary information related to the pension plan have been expanded to improve decision usefulness, support assessments of accountability, and create additional transparency. Since this statement was implemented retroactively, the beginning net position of the governmental activities, the business-type activities and proprietary funds financial statements have been restated for the cumulative effect as discussed in Note 21.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting Standards Adopted in 2015 (Continued)**

Commensurate with implementation of GASB Statement No. 68, the School District adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. This statement amends GASB Statement No. 68 and requires that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. As a result of implementation of this standard in 2015, the School District recognizes a deferred outflow of resources for its pension contribution made after the measurement date of the beginning net pension liability.

**Pending Changes in Accounting Principles**

In March 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. The provisions of this statement are effective for the School District's 2016 financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and accountability. The provisions of this statement are effective for the School District's 2016 financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and accountability. The provisions of this statement are effective for the School District's 2017 financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this statement is to improve accounting and financial reporting for state and local governments for postemployment benefits other than pensions (OPEB). The provisions of this statement are effective for the School District's 2018 financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify the hierarchy of generally accepted accounting principles (GAAP) in the context of the current governmental financial reporting environment. The provisions of this statement are effective for the School District's 2016 financial statements.

In August 2015, GASB issues Statement No. 77, *Tax Abatement Disclosures*. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this statement are effective for the School District's 2017 financial statements.

The effects of implementation of these standards have not yet been determined.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS**

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies as follows:

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

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

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

**Cash and Cash Equivalents - Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has a written policy for custodial credit risk. The public school code requires that all deposits of the School District, which are not insured, are collateralized by the depository institution. As of June 30, 2015, \$23,542,953 of the School District's bank balance of \$24,076,015 is exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	-0-
Collateralized with Securities Held by the Pledging Financial Institution	-0-
Uninsured and Collateral Held by the Pledging Bank's Trust Department not in the School District's Name	<u>23,542,953</u>
	<b>23,542,953</b>

**Reconciliation of Cash and Cash Equivalents to the Financial Statements**

Uninsured Amount Above	23,542,953
Insured Amount	<u>533,062</u>
Bank Balance	24,076,015
Outstanding Checks	<u>(306,429)</u>
Carrying Amount - Bank Balances	23,769,587
Petty Cash	<u>1,430</u>
<b>Total Cash and Cash Equivalents per Financial Statements</b>	<b>23,771,016</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 2 - CASH and CASH EQUIVALENTS and INVESTMENTS (Continued)**

**Investments**

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

<b>Investments</b>	<b>Fair Value</b>
PA Local Government Investment Trust	8,321,383
PA School District Liquid Asset Fund	<u>6,880,842</u>
	<b>15,202,225</b>

**Interest Rate Risk**

The School District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The School District has an investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2015, the School District investments are rated as:

<b>Investments</b>	<b>Standard &amp; Poor's</b>
PA Local Government Investment Trust	AAAm
PA School District Liquid Asset Fund	AAAm

**Concentration of Credit Risk**

The School District places no limit on the amount they may invest in any one issuer. Investments that exceed 5% of the reporting unit's total investments, excluding federal government secured investments are as follows:

Governmental Activities:	
PA Local Government Investment Trust	55%
PA School District Liquid Asset Fund	45%
General Fund:	
PA Local Government Investment Trust	2%
PA School District Liquid Asset Fund	98%
Internal Service Funds:	
PA Local Government Investment Trust	37%
PA School District Liquid Asset Fund	63%

100% of the investments of the business-type activities, the debt service fund, the scholarship fund, and the capital projects fund are with the PA Local Government Investment Trust.

**Custodial Credit Risk**

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

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 3 - REAL ESTATE TAXES**

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2015 was 19.4590 mills as levied by the Board of School Directors. The schedule for real estate taxes levied for the fiscal year ended June 30, 2015, follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 10% Penalty Period
January 1	- Lien Date (Lancaster County Tax Claim Bureau)

**NOTE 4 - TAXES RECEIVABLE and DEFERRED TAXES**

The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. All taxes are determined to be collectible. A portion of the receivable amount which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The balances at June 30, 2015, are as follows:

	<b>Taxes Receivable</b>	<b>Revenue Recognized</b>	<b>Deferred Taxes</b>
Real Estate Taxes	1,074,579	343,735	730,844
Realty Transfer Taxes	89,379	89,379	-0-
Earned Income Taxes	<u>1,317,361</u>	<u>1,317,361</u>	<u>-0-</u>
	<b>2,481,319</b>	<b>1,750,475</b>	<b>730,844</b>

**NOTE 5 - INTERFUND ACCOUNTS**

Individual fund receivable and payable balances at June 30, 2015, are as follows:

<b>Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
General Fund	240,548	449,281
Food Service Fund	-0-	240,548
Capital Project Fund	<u>449,281</u>	<u>-0-</u>
	<b>689,829</b>	<b>689,829</b>

A transfer is pending from the food service fund to the general fund to reimburse for salaries and benefits of food service employees paid for by the general fund. A transfer is pending from the general fund to the capital project fund to set aside resources for future capital expenditures.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 5 - INTERFUND ACCOUNTS (Continued)**

Interfund transfers for the year ended June 30, 2015, are as follows:

Fund	Transfers In	Transfers Out
General Fund	103,059	9,973,970
Capital Project Fund	449,281	-0-
Child Care Fund	-0-	103,059
Debt Service Fund	<u>9,524,689</u>	<u>-0-</u>
	<b>10,077,029</b>	<b>10,077,029</b>

Transfers are made between the child care fund to the general fund equal to each month's net operating income or loss of the child care fund. Transfers in the amount of \$9,524,689 are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation bonds. Transfers from the general fund to the capital reserve fund, a component of the capital project fund, in the amount of \$449,281 were made to provide resources for future capital expenditures.

**NOTE 6 - DUE from OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2015, the following amounts are due from other governmental units:

Due From	General Fund and Governmental Activities
Federal Grants	237,078
State Retirement Subsidy	2,146,587
State FICA Subsidy	334,419
Lancaster-Lebanon IU #13	20,438
Other Local Governments	<u>407,736</u>
	<b>3,146,258</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 7 - CHANGES in CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2015, is as follows:

<b>Historical Cost:</b>	<b>Balance July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Capital Assets not Being Depreciated:				
Land	4,687,257	-0-	-0-	4,687,257
Capital Assets Being Depreciated:				
Building and Building Improvements	184,991,393	5,353,241	(2,030,881)	188,313,753
Furniture and Equipment	23,903,486	1,383,243	(482,293)	24,804,436
Vehicles	<u>501,037</u>	<u>38,489</u>	<u>(16,775)</u>	<u>522,751</u>
<b>Total Cost</b>	<b>209,395,916</b>	<b>6,774,973</b>	<b>(2,529,949)</b>	<b>213,640,940</b>
Accumulated Depreciation:				
Building and Building Improvements	52,801,369	4,368,875	(1,089,045)	56,081,199
Furniture and Equipment	12,138,482	1,665,477	(430,704)	13,373,255
Vehicles	<u>391,084</u>	<u>28,584</u>	<u>(15,097)</u>	<u>404,571</u>
<b>Total Accumulated Depreciation</b>	<b>65,330,935</b>	<b>6,062,936</b>	<b>(1,534,846)</b>	<b>69,859,025</b>
<b>Net Capital Assets Being Depreciated</b>	<b>144,064,981</b>	<b>(712,037)</b>	<b>(995,103)</b>	<b>143,781,915</b>
<b>Net Capital Assets</b>	<b>148,752,238</b>	<b>(712,037)</b>	<b>(995,103)</b>	<b>148,469,172</b>
<b>Construction in Progress</b>	<b>4,794,466</b>	<b>232,984</b>	<b>(4,794,466)</b>	<b>232,984</b>

Capital asset activity for business-type activities for the year ended June 30, 2015, is as follows:

<b>Historical Cost:</b>	<b>Balance July 01, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Capital Assets Being Depreciated:				
Furniture and Equipment	1,731,218	1,634	-0-	1,732,852
Vehicles	<u>115,281</u>	<u>-0-</u>	<u>-0-</u>	<u>115,281</u>
<b>Total Cost</b>	<b>1,846,499</b>	<b>1,634</b>	<b>-0-</b>	<b>1,848,133</b>
Accumulated Depreciation:				
Furniture and Equipment	437,754	111,063	-0-	548,817
Vehicles	<u>108,076</u>	<u>7,205</u>	<u>-0-</u>	<u>115,281</u>
<b>Total Accumulated Depreciation</b>	<b>545,830</b>	<b>118,268</b>	<b>-0-</b>	<b>664,098</b>
<b>Net Capital Assets</b>	<b>1,300,669</b>	<b>(116,634)</b>	<b>-0-</b>	<b>1,184,035</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 7 - CHANGES in CAPITAL ASSETS (Continued)**

Depreciation expenses were charged to governmental functions as follows:

Instruction	4,309,427
Instructional Student Support	506,992
Administrative and Financial Support Services	534,563
Operation and Maintenance of Plant Services	129,597
Unallocated Depreciation Expense	<u>582,357</u>
	<b>6,062,936</b>

**NOTE 8 - ACCRUED SALARIES and BENEFITS**

At June 30, 2015, the School District was liable for \$5,739,103 of payroll, which is payable during July and August 2015, to those employees who have a ten-month contract but are paid over a twelve-month period, to non-salaried employees who performed services through June 30, 2015, and to retiring professional employees who are receiving a payout of their accumulated compensated absences and bonuses. The School District was also liable for the benefits on payroll paid prior to or accrued as of June 30, 2015.

Accrued salaries and benefits as of June 30, 2015, are as follows:

Accrued Salaries	5,739,103
Accrued Benefits:	
Retirement	4,293,175
Social Security	402,799
Other Benefits	<u>763</u>
	<b>10,435,840</b>

**NOTE 9 - UNEARNED REVENUES**

Unearned revenues consist of the following as of June 30, 2015:

	<b>General Fund</b>	<b>Food Service Fund</b>
Unearned Grant Program Revenue	7,569	-0-
Other	36,285	-0-
Unused Donated Commodities	-0-	21,204
Prepaid Lunch Sales	<u>-0-</u>	<u>65,672</u>
	<b>43,854</b>	<b>86,876</b>



**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 10 - LONG-TERM DEBT**

**General Obligation Debt**

The School District issues general obligation bonds to provide funds for major capital improvements. These bonds are direct obligations and pledge the full faith and credit of the School District. Currently, the School District has general obligation debt with interest rates and outstanding principal amounts at June 30, 2015, as follows:

Issue	Final Maturity Date	Interest Rates	Principal Amount Outstanding at June 30, 2015
Series A of 2010 Notes	April 15, 2030	2.70% - 4.05%	8,040,000
Series of 2011 Notes	October 15, 2023	2.50% - 3.25%	3,180,000
Series A of 2011 Bonds	October 15, 2021	3.00% - 4.00%	8,010,000
Series of 2012 Bonds	October 15, 2031	3.00% - 5.00%	27,320,000
Series A of 2012 Bonds	October 15, 2023	2.00% - 4.00%	10,620,000
Series of 2013 Bonds	April 15, 2032	0.80% - 4.00%	8,790,000
Series of 2014 Bonds	October 15, 2023	2.00% - 2.70%	6,055,000
Series A of 2014 Bonds	October 15, 2031	1.00% - 4.00%	3,000,000
Series of 2015 Bonds	August 1, 2015	Variable	25,505,000
Series A of 2015 Bonds	September 15, 2023	0.50% - 4.00%	<u>8,135,000</u>
			<b>108,655,000</b>

On September 15, 2009, the School District issued Series A of 2009 General Obligation Bonds of \$9,050,000 at a premium of \$1,063,080. The proceeds were used to refund the Series A of 2003 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The Bonds were satisfied in full during the year ended June 30, 2015.

On May 10, 2010, the School District issued Series of 2010 General Obligation Bonds of \$8,060,000. The proceeds were used to refund the Series of 2005 General Obligation Bonds and pay the cost and expenses of issuing the Bonds. The Bonds were refunded during the year ended June 30, 2015, through the issuance of the Series A of 2015 General Obligation Bonds.

On December 6, 2010, the School District issued the Series A of 2010 General Obligation Notes of \$8,555,000. The proceeds were used to currently refund the Series of 2006 General Obligation Bonds and to pay the costs and expenses of issuing the Notes. The principal amount outstanding at June 30, 2015, was \$8,040,000 due in various amounts through April 15, 2030. Principal due within one year is \$5,000.

On June 13, 2011, the School District issued the Series of 2011 General Obligation Notes of \$3,445,000. The proceeds were used to currently refund a portion of the Series AA of 2004 General Obligation Bonds and to pay the costs and expenses of issuing the Notes. The principal amount outstanding at June 30, 2015, was \$3,180,000 due in various amounts through October 15, 2023. Principal due within one year is \$5,000.

On June 13, 2011, the School District issued the Series A of 2011 General Obligation Bonds of \$8,190,000 at a premium of \$646,520. The proceeds were used to currently refund the remainder of the Series AA of 2004 General Obligation Bonds, to advance refund the Series A of 2006 General Obligation Notes, and to pay the costs and expenses of issuing the Notes. The principal amount outstanding at June 30, 2015, was \$8,010,000 due in various installments through October 15, 2021. Principal due within one year is \$4,795,000.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 10 - LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

On December 14, 2011, the School District issued the Series B of 2011 General Obligation Bonds of \$25,285,000. A portion of the Bond proceeds was used to refund the Series A of 2007 General Obligation Notes and the Series B of 2010 General Obligation Notes. In addition, Bond proceeds were used to pay the costs and expenses of issuing the Bonds, construct renovations and additions to Landisville Elementary School, and other capital projects. The interest rate for the Bonds was a variable rate which was calculated weekly based on 70% of the one-month LIBOR plus 0.68%. The interest rate was not to exceed 12%. The Bonds were refunded during the year ended June 30, 2015, through the issuance of the Series of 2015 General Obligation Bonds.

On May 8, 2012, the School District issued the Series of 2012 General Obligation Bonds in the amount of \$27,320,000 at a premium of \$2,956,192. The Bonds were issued to provide funding for the construction of Landisville Elementary School, Farmdale Elementary School, and East Petersburg Elementary school and the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2015, was \$27,320,000 due in various amounts from October 2024 through October 15, 2031. There is no principal due within one year.

On May 8, 2012, the School District issued the Series A of 2012 General Obligation Bonds of \$12,385,000 at a premium of \$798,922. The proceeds were used to currently refund the Series A of 2004 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The principal amount outstanding June 30, 2015, was \$10,620,000 due in various installments through October 15, 2023. Principal due within one year is \$1,045,000.

On February 15, 2013, the School District issued the Series of 2013 General Obligation Bonds of \$8,800,000 at a premium of \$681,502. The proceeds were used to provide funding for the construction of East Petersburg Elementary School and Farmdale Elementary School as well as other capital projects and the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2015, was \$8,790,000 due in various installments through April 15, 2032. Principal due within one year is \$5,000.

On February 11, 2014, the School District issued the Series of 2014 General Obligation Bonds of \$6,325,000 at a premium of \$98,677. The proceeds were used to refund the Series 2009 General Obligation Bonds as well as the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2015 was \$6,055,000 due in various installments through October 15, 2023. Principal due within one year is \$620,000.

On February 11, 2014, the School District issued the Series A of 2014 General Obligation Bonds of \$3,000,000 at a premium of \$3,145. The proceeds were used to provide funding for the construction of Landisville Education Center as well as other capital projects and the costs and expenses of issuing the Bonds. The principal amount outstanding at June 30, 2015, was \$3,000,000 due in various installments from October 15, 2015 through October 15, 2031. Principal due within one year is \$150,000.

On January 13, 2015, the School District issued the Series of 2015 General Obligation Bonds of \$25,505,000. The proceeds were used to currently refund the Series B of 2011 General Obligation Bonds, which had special mandatory tender date, and to pay the costs and expenses of issuing the Bonds. The principal amount outstanding June 30, 2015, was \$25,505,000 due in various installments from August 1, 2016 through August 1, 2025. There is no principal due within one year. The interest rate for the Bonds is a variable rate which is calculated as the sum of (1) the product of the 30-Day LIBOR Index multiplied by an applicable factor of 0.67% plus (2) the applicable spread (ranging from 0.30% - 0.55%). The interest rate is not to exceed 10% through August 1, 2019 and which time the School District will need to renegotiate the terms of the Bonds. The blended variable interest rate in effect at June 30, 2015 is 0.675%.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 10 - LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

On February 17, 2015, the School District issued the Series A of 2015 General Obligation Bonds of \$8,135,000 at a premium of \$184,302. The proceeds were used to advance refund the Series of 2010 General Obligation Bonds and to pay the costs and expenses of issuing the Bonds. The principal amount outstanding June 30, 2015, was \$8,135,000 due in various installments from September 15, 2016 through September 15, 2023. There is no principal due within one year. The purpose of the refunding was to achieve interest savings of \$719,690. The present value of the School District's savings over the term of the Bond amounts to 369,308.

Long-term obligation activity can be summarized as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 01, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2015</b>
<b>Governmental Activities</b>				
General Obligation Debt	114,445,000	33,640,000	39,430,000	108,655,000
Bond Discount	(18,350)	-0-	(1,345)	(17,005)
Bond Premium	<u>4,447,773</u>	<u>184,302</u>	<u>516,982</u>	<u>4,115,093</u>
	<b>118,874,423</b>	<b>33,824,302</b>	<b>39,945,637</b>	<b>112,753,088</b>
Accrued Retirement Bonuses	1,317,849	23,827	215,558	1,126,118
Estimated Liability for				
Compensated Absences	<u>2,850,194</u>	<u>200,242</u>	<u>254,143</u>	<u>2,796,293</u>
<b>Total Governmental</b>				
<b>Activities</b>	<b>123,042,466</b>	<b>34,048,371</b>	<b>40,415,338</b>	<b>116,675,499</b>
<b>Business-Type Activities</b>				
Accrued Retirement Bonuses	6,345	945	6,345	945
Estimated Liability for				
Compensated Absences	<u>65,263</u>	<u>5,825</u>	<u>7,705</u>	<u>63,383</u>
<b>Total Business-Type</b>				
<b>Activities</b>	<u><b>71,608</b></u>	<u><b>6,770</b></u>	<u><b>14,050</b></u>	<u><b>64,328</b></u>
<b>Total Government</b>	<b>123,114,074</b>	<b>34,055,141</b>	<b>40,429,388</b>	<b>116,739,827</b>

The School District pays the long-term obligations of the governmental activities from the general fund, except for debt service. Debt service payments are paid from the debt service fund which is, however, funded by transfers from the general fund. All long-term debt of the business-type activities is paid from the food service fund.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 10 - LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

The following schedule reveals the annual aggregate debt service requirements to maturity for the general obligation debt:

	Interest	Principal	Total
2016	3,209,919	6,625,000	9,834,919
2017	3,049,342	5,515,000	8,564,342
2018	2,973,436	5,720,000	8,693,436
2019	2,885,723	5,720,000	8,605,723
2020	2,763,167	6,235,000	8,998,167
2021 - 2025	11,728,164	32,580,000	44,308,164
2026 - 2030	7,313,732	30,235,000	37,548,732
2031 - 2032	<u>916,700</u>	<u>16,025,000</u>	<u>16,941,700</u>
	<b>34,840,183</b>	<b>108,655,000</b>	<b>143,495,183</b>

**NOTE 11 - COMPENSATED ABSENCES**

A summary of the amount recorded as a liability in the governmental activities and business-type activities for compensated absences is as follows as of June 30, 2015:

	Governmental Activities	Business-Type Activities
Accumulated Sick Leave	2,155,321	47,084
Accumulated Vacation Leave	439,212	10,461
Accumulated Personal Days	156,210	4,680
Employer Social Security and Medicare on Leave Amounts Above	<u>45,550</u>	<u>1,158</u>
	<b>2,796,293</b>	<b>63,383</b>

**NOTE 12 - ACCRUED RETIREMENT BONUSES**

Upon voluntary retirement, a professional employee with qualifying years of service according to either the collective bargaining agreement or Act 93 agreement will receive a lump sum retirement bonus to be transferred into a TSA account. The accrual for estimated retirement benefits was \$1,127,063 at June 30, 2015. Of this liability, \$945 was attributed to business-type activities and \$1,126,118 was attributed to the governmental activities.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 13 - FUND BALANCE CLASSIFICATIONS**

Nonspendable fund balance represents the component of fund balance that is not in spendable form (such as inventory and prepaid items) or is required to be legally or contractually maintained intact. At June 30, 2015, the School District has the following nonspendable fund balance:

<b>General Fund:</b>	
Inventories	45,355

Restricted fund balance represents fund balances that can only be used for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed only with the consent of the resource providers. At June 30, 2015, the School District has the following restricted balance:

<b>Capital Project Fund:</b>	
Restricted for Future Capital Projects	22,145

Committed fund balances represent fund balances that can be used only for the specific purposes determined by a formal action of the government's highest level of decision making authority. As of June 30, 2015, the School District has included the following as committed fund balances:

<b>General Fund:</b>	
Committed to Offset Future Postemployment Benefit Expenditures	2,000,000

Assigned fund balance comprises amounts intended to be used by the government for specific purposes determined by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2015, the School District has the following as assigned fund balances:

<b>Debt Service Fund:</b>	
Assigned for Debt Service Payment	4,903,931
 <b>Capital Project Fund:</b>	
Assigned for Capital Outlays	4,608,936
 <b>General Fund:</b>	
Capital Projects	1,000,000
One to One Initiative	<u>1,000,000</u>
	<b>2,000,000</b>

**NOTE 14 - RISK MANAGEMENT**

**Hospitalization**

The School District is participating in the insurance consortium with the Lancaster-Lebanon Intermediate Unit #13 to provide for the medical care for eligible employees and their dependents. The School District remits funds to the third-party administrators. The third-party administrators, upon receiving funds from the School District, process, and pay the claims. The School District was limited in liability to \$150,000 per individual and \$13,671,373 in total for hospitalization claims for the year ended June 30, 2015.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 14 - RISK MANAGEMENT (Continued)**

**Hospitalization (Continued)**

A liability for claims incurred prior to June 30, 2015, and subsequently paid is recorded in the amount of \$896,283 in accounts payable in the internal service fund. For the year ended June 30, 2014, the liability for claims incurred prior to June 30, 2014, and subsequently paid was \$914,000.

Changes in the School District's claims liability amount in fiscal years 2015 and 2014 are:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2013 - 2014	770,869	10,945,494	10,802,363	914,000
2014 - 2015	914,000	11,128,656	11,146,373	896,283

**Workers' Compensation**

The School District is participating in the Lancaster-Lebanon Public Schools Workers' Compensation Fund which is a cooperative voluntary trust arrangement for sixteen member school districts and the Lancaster-Lebanon Intermediate Unit. This agreement states that the School District pays an annual premium to the Fund for the purpose of seeking prevention or lessening of claims due to injuries of employees of the members and pooling workers' compensation and occupational disease insurance risks, reserves, claims, and losses and providing self-insurance and reinsurance thereof.

It is the intent of the members of the Fund that the Fund will utilize funds contributed by the members, which shall be held in trust by the Fund, to provide self-insurance and reimbursement to the members for their obligations to pay compensation as required under the Workers' Compensation Act and the Pennsylvania Occupational Disease Act and to purchase excess and aggregate insurance. As of June 30, 2015, the School District is not aware of any additional assessments relating to the Fund.

**Other Risks**

The School District is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The School District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2015, and the two previous fiscal years, no settlements exceeded insurance coverage.

**NOTE 15 - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

**Plan Description**

The School District contributes to a governmental cost-sharing multi-employer defined benefit pension plan administered by PSERS. PSERS provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS 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.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

**Plan Description (Continued)**

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 one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 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 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

**Contributions**

The contribution policy is set by the Code and requires contributions by active members, participating employers, and the Commonwealth of Pennsylvania. Plan members may belong to four membership classes. Class T-C, Class T-D, Class T-E and Class T-F are available to plan members.

**Member Contributions**

Active members who joined the plan before July 22, 1983, are required to contribute 5.25% of their compensation if they are in Class T-C or 6.50% for Class T-D. Members who joined on or after July 22, 1983, and were active or inactive as of July 1, 2001, are required to contribute 6.25% for Class T-C or 7.50% for Class T-D. Members who joined the plan after June 30, 2001 and before July 1, 2011, are automatically in Class T-D and are required to contribute 7.50%.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

**Member Contributions (Continued)**

Members who joined the plan 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 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 to the pension plan from the School District were \$10,478,125 for the year ended June 30, 2015.

**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 \$153,414,859 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 PSERS'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 .3876 percent, which was an increase of .0065 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$13,994,284. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	-0-	-0-
Changes in Assumptions	-0-	-0-
Net Difference between Projected and Actual Investment Earnings	-0-	10,967,421
Net Change in Proportions	2,144,186	-0-
Difference between Employer Contributions and Proportionate Share of Total Contributions	178,201	-0-
Contributions Subsequent to the Measurement Date	<u>10,478,125</u>	<u>-0-</u>
	<b>12,800,512</b>	<b>10,967,421</b>



**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

\$10,478,125 reported as deferred outflows of resources related to pensions resulting from the School District's 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	(2,182,244)
2017	(2,182,244)
2018	(2,182,244)
2019	(2,182,245)
2020	<u>83,943</u>
	<b>(8,645,034)</b>

**Actuarial Assumptions**

The total pension liability as of June 30, 2014 was determined by rolling forward PSERS'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

**Investment Rate of Return** - 7.5 percent, including inflation at 3.0 percent

**Salary Increases** - Effective average of 5.5 percent, which reflects an allowance for inflation of 3.0 percent, real wage growth of 1.0 percent, and merit or seniority increases of 1.5 percent.

**Mortality Rates** - Based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants, the RP-2000 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 Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Markets Global Equity	19%	5.0%
Private Markets (Equity)	21%	6.5%
Private Real Estate	13%	4.7%
Global Fixed Income	8%	2.0%
U.S. Long Treasuries	3%	1.4%
TIPS	12%	1.2%
High Yield Bonds	6%	1.7%
Cash	3%	0.9%
Absolute Return	10%	4.8%
Risk Parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9%)</u>	1.1%
	100%	

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. 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.

**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.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 15 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions (Continued)**

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

	1% 6.50%	Current Discount 7.50%	1% 8.50%
School District's Proportionate Share of the Net Pension Liability	191,364,000	153,414,859	121,017,000

**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 PSERS' website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Payable to the Pension Plan**

At June 30, 2015, the School District reported a payable of \$3,142,260 for the outstanding amount of employer contributions to PSERS required for the year ended June 30, 2015. These amounts relate to the second quarter of 2015 and are payable to PSERS within five business days of the School District receiving its related retirement subsidy from the Commonwealth of Pennsylvania. In addition, the School District also reported a payable of \$346,542 for the employee contributions withheld during June 2015 which are payable to PSERS by July 10, 2015.

**NOTE 16 - POSTEMPLOYMENT HEALTH CARE BENEFITS**

**Description**

The School District follows the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The School District maintains a single employer defined benefit plan to provide postretirement health care and life insurance benefits to School District employees who, in most cases, have retired with at least 5 years of PSERS service or attained age 62 or older with at least 1 year of PSERS service. Such benefits are available to retirees and retiree dependents until the retired employee reaches age 65, provided the retired employee provides payment equal to the premium determined for the purpose of COBRA.

**Funding Policy**

The School District has elected to finance postemployment benefits on a pay-as-you-go basis. The School District recognizes expenditures for postemployment group insurance when claims are filed with the plan Administrator. These financial statements assume that pay-as-you-go funding will continue.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 16 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The School District's annual cost for other postemployment retirement benefits (OPEB) is calculated based on the annual required contribution (ARC) of the School District, an amount actuarially determined in accordance with the parameters of GASB 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 of 30 years. The following illustrates 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:

Annual Required Contribution (ARC)	925,034
Interest on Net OPEB Obligation	78,688
Adjustment to Annual Required Contribution	<u>(107,351)</u>
Annual OPEB Cost	<b>896,371</b>
Contributions Made (Estimate)	<u>(567,207)</u>
Estimated Increase in Net OPEB Obligation	<b>329,164</b>
Net OPEB Obligation - Beginning of Year	<u>1,748,628</u>
Net OPEB Obligation - End of Year	<b>2,077,792</b>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2014, and 2013 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation- End of Year
June 30, 2013	898,002	68%	1,537,807
June 30, 2014	893,343	76%	1,748,628
June 30, 2015	896,371	63%	2,077,792

**Funding Status and Funding Progress**

As of June 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits equaled \$7,463,606, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,463,606. The covered payroll (annual payroll of active employees covered by the plan) equaled \$46,096,274, and the ratio of the UAAL to the covered payroll equaled 16.19%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the School District maintains no plan assets, information relative to plan asset required disclosures is not applicable.

**Hempfield School District**  
NOTES to FINANCIAL STATEMENTS  
(Continued)

**NOTE 16 - POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the School District and 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 School District and plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated June 1, 2014, the entry age normal cost method was used. Because the School District funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) legally held exclusively for paying the postretirement medical benefits. Actuarial assumptions included an interest rate of 4.5% per annum, medical inflation of 6.5% in the first year gradually decreasing by 0.5% per year to a rate of 5.5% in 2016. The rates continue to gradually decrease thereafter to 4.2% in 2089 based on the Society of Actuaries Long-Run Medical Cost Trend Model.

In the actuarial valuation dated June 1, 2014, the assumption for the percentage of salary increases has decreased and the percentage of withdrawal and retirement age has increased compared to the prior actuarial valuation dated June 30, 2012.

**NOTE 17 - DAYCARE OPERATIONS**

The School District operates a day care center (the Center) housed on School District property. The School District entered into an agreement with Hildebrandt Learning Centers, LLC to staff and manage the operations of the Center which has a capacity of approximately 50 child care spaces. The School District receives any profits generated by the Center, but also has to make up for any losses. These operations are accounted for in the child care fund, a nonmajor proprietary fund.

**NOTE 18 - CONTINGENCIES and COMMITMENTS**

**General**

The School District is involved in various claims, including real estate tax assessment appeals, and legal actions arising in the ordinary course of business. The outcome of these matters cannot be determined at this time.

**Grant Revenue**

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

**Capital Project - Stadium Track Improvements**

The School District is in the process of renovating the stadium track. As of June 30, 2015, the School District has incurred expenditures of \$221,278 for this project. The School District has committed itself to remaining costs to complete of approximately \$950,000. The School District anticipates financing the construction costs using the capital projects fund balance.

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 18 - CONTINGENCIES and COMMITMENTS (CONTINUED)**

**Transportation Contract**

The School District has entered into an agreement for the transportation of school pupils with Student Transportation of America. The Agreement is for the period of July 1, 2014 through June 30, 2019. The contractor provides all equipment and labor necessary. The cost for the transportation services will be determined based on rate schedules included in the contract which are subject to annual increases ranging from 2.0% to 3.0% for the duration of the contract.

**Collective Bargaining Agreement**

The School District has entered into a collective bargaining agreement with the Hempfield Education Association. The Agreement currently in effect is for the period of July 1, 2010 through June 30, 2015. A new agreement for the period of July 1, 2015 through June 30, 2019 has been entered into. The agreements stipulate the overall working conditions as well as the provisions for wages and employee benefits for the School District's professional staff for the term of the contracts.

**NOTE 19 - OPERATING LEASE**

On September 22, 2011, the Lancaster County Career and Technology Center Authority (the Authority) authorized the issuance of Guaranteed Lease Revenue Bonds, Series 2011 to provide funds for renovations and additions to Brownstown, Mount Joy, and Willow Street campuses of the Lancaster County Career and Technology Center (LCCTC), for the purchase and renovation of property for a practical nursing program at the LCCTC, for various ongoing and proposed capital projects of the LCCTC, and for the payment and cost of issuing the Bonds. The LCCTC and the sixteen member schools have entered into a lease agreement with the Authority stipulating that each school district will pay its proportionate share of the lease rentals in order to fund the debt based on real estate market values as set forth in the LCCTC Organization Agreement.

The aggregate amount borrowed was \$23,890,000 via the issuance of the Lancaster County Career and Technology Center General Obligation Bonds, Series of 2012, Series of 2013, and Series of 2014. The Bonds are to be repaid over a period not to exceed thirty years, with gross annual debt service not to exceed \$1,985,000 and net annual debt service (after reimbursement by the Commonwealth of Pennsylvania) of \$1,330,000.

The School District's lease rental obligation for future minimum rental payments related to all three bond issues is as follows:

Fiscal Year Ended June 30,	Future Minimum Rental Payments
2016	150,153
2017	150,019
2018	166,697
2019	166,506
2020 - 2024	832,956
2025 - 2029	832,802
2030 - 2034	833,100
2035 - 2037	<u>499,450</u>
	<b>3,631,683</b>

**Hempfield School District**  
 NOTES to FINANCIAL STATEMENTS  
 (Continued)

**NOTE 20 - FOOD SERVICE FUND NET POSITION**

The food service fund's net position is negative in the amount of (\$1,938,945) for the year ended June 30, 2015 which is caused by the net pension liability (NPL) (Note 15 and 21) attributed to food service fund employees. With the scheduled increases in employer contributions to PSERS in the coming years, the School District anticipates that the equity of this fund will return to a positive amount over time.

**NOTE 21 - CHANGE in ACCOUNTING PRINCIPLE**

As part of the implementation of GASB Statement Nos. 68 and 71, the School District restated the beginning net position of the governmental activities, the business-type activities, and proprietary funds.

In prior years, the School District did not record a net pension liability. GASB Statement No. 68 as amended by GASB Statement No. 71 requires the School District to recognize a liability for its proportionate share of the PSERS net pension liability. Therefore, net position as of July 1, 2014 has been restated as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities and Proprietary Funds</b>
<b>Net Position as Previously Reported at June 30, 2014:</b>	<b>57,957,967</b>	<b>1,338,139</b>
<b>Prior period adjustment:</b>		
Net Pension Liability (Measurement Date as of June 30, 2013)	(152,887,907)	(3,120,161)
<b>Deferred outflows:</b>		
School District Contributions Made During Fiscal Year 2014	<u>7,783,610</u>	<u>158,849</u>
<b>Total Prior Period Adjustment</b>	<b><u>(145,104,297)</u></b>	<b><u>(2,961,312)</u></b>
<b>Net Position as Restated, July 1, 2014</b>	<b>(87,146,330)</b>	<b>(1,623,173)</b>

# Hempfield School District

## SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES - BUDGET and ACTUAL - GENERAL FUND Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES	Original	Final	Budgetary Basis	
Local Sources:				
Real Estate Taxes	\$ 68,154,132	\$ 68,154,132	\$ 68,632,119	\$ 477,987
Other Taxes	7,455,000	7,455,000	8,093,782	638,782
Investment Earnings	75,000	75,000	96,165	21,165
Other Revenue	1,896,600	1,896,600	2,358,615	462,015
Total Local Sources	77,580,732	77,580,732	79,180,681	1,599,949
State Sources	27,716,957	27,716,957	27,771,314	54,357
Federal Sources	1,554,277	1,554,277	1,748,758	194,481
<b>Total Revenues</b>	<b>106,851,966</b>	<b>106,851,966</b>	<b>108,700,753</b>	<b>1,848,787</b>
<b>EXPENDITURES</b>				
Instructional Services:				
Regular Programs	51,263,714	51,263,714	50,354,514	909,200
Special Programs	14,444,981	14,444,981	15,127,461	(682,480)
Vocational Programs	1,440,000	1,440,000	1,082,610	357,390
Other Instructional Programs	626,753	626,753	639,256	(12,503)
Support Services:				
Pupil Personnel	4,105,102	4,105,102	4,103,575	1,527
Instructional Staff	2,048,882	2,048,882	1,963,302	85,580
Administrative	5,034,950	5,034,950	4,896,352	138,598
Pupil Health	1,110,399	1,110,399	1,095,468	14,931
Business	1,355,337	1,355,337	1,432,086	(76,749)
Operation of Plant and Maintenance	7,528,279	7,528,279	8,296,907	(768,628)
Student Transportation	5,231,631	5,231,631	5,137,153	94,478
Central and Other Business	2,505,410	2,505,410	2,714,330	(208,920)
Noninstructional	1,681,226	1,681,226	1,780,003	(98,777)
<b>Total Expenditures</b>	<b>98,376,664</b>	<b>98,376,664</b>	<b>98,623,017</b>	<b>(246,353)</b>
<b>EXCESS of REVENUES over EXPENDITURES</b>	<b>8,475,302</b>	<b>8,475,302</b>	<b>10,077,736</b>	<b>1,602,434</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Service, Current	(10,157,113)	(10,157,113)	(9,524,689)	632,424
Other Fund Transfers	780,000	780,000	(346,222)	(1,126,222)
Refund of Prior Years' Revenues	-0-	-0-	(14,621)	(14,621)
Proceeds from Sale of Fixed Assets	2,000	2,000	4,485	2,485
Budgetary Reserve	(1,000,000)	(1,000,000)	-0-	1,000,000
<b>Net Other Financing Uses</b>	<b>(10,375,113)</b>	<b>(10,375,113)</b>	<b>(9,881,047)</b>	<b>494,066</b>
<b>NET CHANGES in FUND BALANCES</b>	<b>\$ (1,899,811)</b>	<b>\$ (1,899,811)</b>	<b>196,689</b>	<b>\$ 2,096,500</b>
<b>FUND BALANCES</b>				
Beginning			9,779,770	
Ending			<b>\$ 9,976,459</b>	

See independent auditors' report.



**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

**Hempfield School District** follows the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. Under Act I requirements, management submits to the School Board a preliminary budget for adoption 90 days prior to the primary election, and then a final budget for adoption on or before June 30, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Public meetings are conducted to obtain taxpayer comments for both the preliminary and final budget adoption process. The proposed budgets are made available to the public 20 days before each adoption date, and are advertised 10 days before each adoption date.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Legal budgetary control is maintained by the School Board at the departmental level. Transfers between departments, whether between funds or within a fund, or revisions that alter the total revenues and expenditures of any fund, must be approved by the Board. Budgetary information in the combined operating statements is presented at or below the legal level of budgetary control. It also includes the effects of approved budget amendments.
5. Budgetary data is included in the School District's management information system and is employed as a management control device during the year.
6. Unused appropriations lapse at the end of each fiscal year.
7. The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America.

**Hempfield School District**  
 SCHEDULE of FUNDING PROGRESS -  
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) -  
 POSTRETIREMENT HEALTH CARE BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
June 1, 2010	-0-	8,015,221	8,015,221	0.00%	42,866,047	18.70%
June 1, 2012	-0-	7,323,913	7,323,913	0.00%	44,070,561	16.62%
June 1, 2014	-0-	7,463,606	7,463,606	0.00%	46,096,274	16.19%

See independent auditors' report.

**Hempfield School District**  
SCHEDULE of EMPLOYER CONTRIBUTIONS -  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) -  
POSTRETIREMENT HEALTH CARE BENEFITS PLAN

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>
June 30, 2013	898,002	68.00%
June 30, 2014	893,343	76.00%
June 30, 2015	896,371	63.00%

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION

The information presented on the required supplementary schedules on pages 63 and 64 was determined as part of the actuarial valuations at the dates indicated. Key factors used in the actuarial valuations are as follows:

Valuation Dates	June 1, 2014	June 1, 2012	June 1, 2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Method	Level Dollar Method	Level Dollar Method
Amortization Period	30 Years	30 Years	30 Years
Discount Rate	4.5%	4.5%	4.5%
Mortality	Same as Rates in the PSERS' Actuarial Valuation	Same as Rates in the PSERS' Actuarial Valuation	Same as Rates in the PSERS' Actuarial Valuation
Retirement	Retirement Rate Based on PSERS' Plan Experience	Retirement Rate Based on PSERS' Plan Experience	Retirement Rate Based on PSERS' Plan Experience
Coverage Election			
Administrators	100%	100%	100%
HEA Professional Staff	70%	70%	70%
Support Staff	35%	35%	35%
Percent Married with Election of Spousal Coverage by Plan	40%	40%	50%
Per Capita Claims Cost:			
Female (Age 45 - 65+)	\$8,710 - \$15,147	\$8,147 - \$14,167	\$7,351 - \$12,782
Male (Age 45 - 65+)	\$6,031 - \$16,256	\$5,641 - \$15,205	\$5,090 - \$13,718
Demographic Information:			
Active Participants	802	826	830
Retired Participants	<u>91</u>	<u>87</u>	<u>78</u>
Total Participants	<b>893</b>	<b>913</b>	<b>908</b>
Health Care Cost Trend Rate	6.5% decreasing to 5.5% in 2016 and to 4.2% in 2089	7.5% decreasing to 5.5% in 2016 and to 4.2% in 2089	7.5% decreasing to 5.5% in 2014 and to 4.2% in 2099

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Accordingly, actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective, and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. Actuarial calculations are based on the types of benefits provided under the terms of the plan and on the pattern of cost-sharing between the employer and plan members at the time of the valuations.

See independent auditors' report.

## Hempfield School District

SCHEDULE of SCHOOL DISTRICT'S PROPORTIONATE SHARE of the NET PENSION LIABILITY -  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM -  
Last 10 Fiscal Years

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered- Employee Payroll	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3876%	\$ 153,414,859	\$ 49,455,772	310.21%	57.24%

Note : This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based on the measurements date, which is the beginning of the School District's fiscal year.

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EMPLOYER CONTRIBUTIONS -  
 PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM -  
 Last 10 Fiscal Years

	<b>Contractually Required Contribution</b>	<b>Contributions from Employer</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Defined Benefit</b>					
<b>Pension Plan:</b>					
2006	\$ 1,534,610	\$ 1,534,610	\$ -0-	\$ 38,365,245	4.00%
2007	1,944,436	1,944,436	-0-	33,993,638	5.72%
2008	2,582,341	2,582,341	-0-	40,098,457	6.44%
2009	1,777,815	1,777,815	-0-	44,445,378	4.00%
2010	1,895,339	1,895,339	-0-	47,383,473	4.00%
2011	2,461,814	2,461,814	-0-	49,236,277	5.00%
2012	3,792,071	3,792,071	-0-	47,400,890	8.00%
2013	5,624,264	5,624,264	-0-	48,906,642	11.50%
2014	7,912,924	7,912,924	-0-	49,455,772	16.00%
2015	\$ 10,146,779	\$ 10,146,779	\$ -0-	\$ 49,496,483	20.50%

See independent auditors' report.

**Hempfield School District**  
NOTES to REQUIRED SUPPLEMENTARY INFORMATION -  
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

**Changes of Benefit Terms:**

None.

**Changes of Assumptions:**

None.

See independent auditors' report.

**Hempfield School District**  
 COMBINING BALANCE SHEET SCHEDULE - CAPITAL PROJECT FUND  
 June 30, 2015

	Capital Fund	Construction Fund	Total Capital Project Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,285,179	\$ 121,558	\$ 4,406,737
Investments	139,567	-0-	139,567
Due from Other Funds	449,281	-0-	449,281
<b>TOTAL ASSETS</b>	<b><u>4,874,027</u></b>	<b><u>121,558</u></b>	<b><u>4,995,585</u></b>
<b>LIABILITIES and FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	265,091	99,413	364,504
<b>FUND BALANCES</b>			
Restricted	-0-	22,145	22,145
Assigned	4,608,936	-0-	4,608,936
<b>TOTAL FUND BALANCES</b>	<b><u>4,608,936</u></b>	<b><u>22,145</u></b>	<b><u>4,631,081</u></b>
<b>TOTAL LIABILITIES and FUND BALANCES</b>	<b><u>\$ 4,874,027</u></b>	<b><u>\$ 121,558</u></b>	<b><u>\$ 4,995,585</u></b>

See independent auditors' report.



# Hempfield School District

COMBINING SCHEDULE of REVENUES, EXPENDITURES, and CHANGES in FUND BALANCES -  
CAPITAL PROJECT FUND  
Year Ended June 30, 2015

	Capital Reserve Fund	Construction Fund	Total Capital Project Fund
<b>REVENUES</b>			
Local Sources:			
Investment Earnings	\$ 10,387	\$ 1,412	\$ 11,799
<b>EXPENDITURES</b>			
Capital Outlay	<u>495,131</u>	<u>1,492,941</u>	<u>1,988,072</u>
<b>DEFICIENCY of REVENUES OVER EXPENDITURES</b>	(484,744)	(1,491,529)	(1,976,273)
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>449,281</u>	<u>-0-</u>	<u>449,281</u>
<b>NET CHANGES in FUND BALANCES</b>	(35,463)	(1,491,529)	(1,526,992)
<b>FUND BALANCES</b>			
Beginning	<u>4,644,399</u>	<u>1,513,674</u>	<u>6,158,073</u>
Ending	<u>\$ 4,608,936</u>	<u>\$ 22,145</u>	<u>\$ 4,631,081</u>

See independent auditors' report.

**Hempfield School District**  
 COMBINING SCHEDULE of NET POSITION -  
 INTERNAL SERVICE FUNDS  
 June 30, 2015

	<b>Hospitalization Fund</b>	<b>Retirement Benefit Reserve Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation Fund</b>	<b>Total Internal Service</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash					
Equivalents	\$ 1,308,266	\$ -0-	\$ -0-	\$ -0-	\$ 1,308,266
Investments	2,530,480	5,130,313	248,911	223,063	8,132,767
Other Receivables	<u>11,475</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,475</u>
<b>TOTAL ASSETS</b>	<b><u>3,850,221</u></b>	<b><u>5,130,313</u></b>	<b><u>248,911</u></b>	<b><u>223,063</u></b>	<b><u>9,452,508</u></b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	<u>896,283</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>896,283</u>
<b>NET POSITION</b>					
Unrestricted	<b><u>\$ 2,953,938</u></b>	<b><u>\$ 5,130,313</u></b>	<b><u>\$ 248,911</u></b>	<b><u>\$ 223,063</u></b>	<b><u>\$ 8,556,225</u></b>

See independent auditors' report.

## Hempfield School District

COMBINING SCHEDULE of REVENUES, EXPENSES, and CHANGES in NET POSITION -  
INTERNAL SERVICE FUNDS  
Year Ended June 30, 2015

	Hospitalization Fund	Retirement Benefit Reserve Fund	Workers' Compensation Fund	Unemployment Compensation Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 12,357,130	\$ -0-	\$ -0-	\$ -0-	\$ 12,357,130
<b>OPERATING EXPENSES</b>					
Employee Benefits	<u>12,069,405</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>12,069,405</u>
<b>OPERATING INCOME</b>	<b>287,725</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>287,725</b>
<b>NONOPERATING REVENUES</b>					
Investment Earnings	<u>11,677</u>	<u>5,399</u>	<u>1,226</u>	<u>1,003</u>	<u>19,305</u>
<b>CHANGES in NET POSITION</b>	<b>299,402</b>	<b>5,399</b>	<b>1,226</b>	<b>1,003</b>	<b>307,030</b>
<b>NET POSITION</b>					
Beginning	<u>2,654,536</u>	<u>5,124,914</u>	<u>247,685</u>	<u>222,060</u>	<u>8,249,195</u>
Ending	<u>\$ 2,953,938</u>	<u>\$ 5,130,313</u>	<u>\$ 248,911</u>	<u>\$ 223,063</u>	<u>\$ 8,556,225</u>

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
 Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Agriculture</b>									
<b>Passed Through the Pennsylvania Department of Education:</b>									
School Breakfast Program (Note 2)	I	10.553	N/A	07/01/14 - 06/30/15	N/A	\$ -0-	\$ 195,398	\$ 195,398	\$ -0-
School Breakfast Program (Note 2)	I	10.553	N/A	07/01/13 - 06/30/14	N/A	4,744	4,744	-0-	-0-
National School Lunch Program (Note 2)	I	10.555	N/A	07/01/14 - 06/30/15	N/A	-0-	880,009	880,009	-0-
National School Lunch Program (Note 2)	I	10.555	N/A	07/01/13 - 06/30/14	N/A	<u>18,795</u>	<u>18,795</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through the Pennsylvania Department of Education</b>						<b>23,539</b>	<b>1,098,946</b>	<b>1,075,407</b>	<b>-0-</b>
<b>Passed Through the Pennsylvania Department of Agriculture:</b>									
National School Lunch Program (Notes 2 and 3)	I	10.555	N/A	07/01/14 - 06/30/15	N/A	<u>(13,737) A)</u>	<u>139,899 B)</u>	<u>132,432 C)</u>	<u>(21,204) D)</u>
<b>Total U.S. Department of Agriculture</b>						<b>9,802</b>	<b>1,238,845</b>	<b>1,207,839</b>	<b>(21,204)</b>
<b>General Services Administration</b>									
<b>Passed through the Pennsylvania Department of General Services:</b>									
Donation of Federal Surplus Personal Property	I	39.003	N/A	07/01/14 - 06/30/15	4,761	\$ -0-	\$ 4,761	\$ 4,761	\$ -0-

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
 (Continued)  
 Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Education</b>									
<b>Passed Through the Pennsylvania Department of Education:</b>									
Title I Grants to Local Educational Agencies	I	84.010	013-150189	07/31/14 - 09/30/15	624,105	\$ -0-	\$ 508,820	\$ 610,801	\$ 101,981
Title I Grants to Local Educational Agencies (Note 5)	I	84.010	013-140189	09/03/13 - 09/30/14	497,590	(9,649)	-0-	7,800	(1,849)
English Language Acquisition Grants	I	84.365	010-150189	07/31/14 - 09/30/15	78,700	-0-	73,453	78,700	5,247
English Language Acquisition Grants	I	84.365	010-140189	09/03/13 - 09/30/14	71,145	10,945	10,945	-0-	-0-
Improving Teacher Quality State Grants	I	84.367	020-150189	07/31/14 - 09/30/15	191,301	-0-	153,176	191,301	38,125
Improving Teacher Quality State Grants	I	84.367	020-140189	09/03/13 - 09/30/14	191,167	7,281	14,544	7,263	-0-
Striving Readers	I	84.371	143-140188	10/01/14 - 09/30/15	814,032	-0-	542,688	634,412	91,724
Striving Readers	I	84.371	143-130188	10/01/13 - 09/30/14	854,234	<u>94,333</u>	<u>280,059</u>	<u>185,726</u>	<u>-0-</u>
<b>Total Passed Through the Pennsylvania Department of Education</b>						<b>\$ 102,910</b>	<b>\$ 1,583,685</b>	<b>\$ 1,716,003</b>	<b>\$ 235,228</b>

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
 (Continued)  
 Year Ended June 30, 2015

Federal Grantor Project Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Grant Amount	Accrued (Deferred) Revenue at July 1, 2014	Total Received for the Year	Expenditures	Accrued (Deferred) Revenue at June 30, 2015
<b>U.S. Department of Education (Continued)</b>									
<b>Passed Through the Lancaster-Lebanon Intermediate Unit #13:</b>									
Special Education - Grants to States (Note 2)	I	84.027	062-150013	07/01/14 - 09/30/15	1,246,259	\$ -0-	\$ 1,246,259	\$ 1,246,259	\$ -0-
Special Education - Preschool Grants (Note 2)	I	84.173	131-140013	07/01/14 - 06/30/15	7,419	-0-	-0-	7,419	7,419
Special Education - Preschool Grants (Note 2)	I	84.173	131-130013	07/01/13 - 06/30/14	5,106	<u>5,106</u>	<u>5,106</u>	<u>-0-</u>	<u>-0-</u>
<b>Total Passed Through the Lancaster-Lebanon Intermediate Unit #13</b>						<b>5,106</b>	<b>1,251,365</b>	<b>1,253,678</b>	<b>7,419</b>
<b>Total U.S. Department of Education</b>						<b><u>108,016</u></b>	<b><u>2,835,050</u></b>	<b><u>2,969,681</u></b>	<b><u>242,647</u></b>
<b>TOTAL EXPENDITURES of FEDERAL AWARDS</b>						<b><u>\$ 117,818</u></b>	<b><u>\$ 4,078,656</u></b>	<b><u>\$ 4,182,281</u></b>	<b><u>\$ 221,443</u></b>

Legend

I = Indirect funding

CFDA = Catalog of Federal Domestic Assistance

See independent auditors' report.

**Hempfield School District**  
 SCHEDULE of EXPENDITURES of FEDERAL AWARDS  
 (Continued)  
 Year Ended June 30, 2015

**NOTES to SCHEDULE of EXPENDITURES of FEDERAL AWARDS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**NOTE 2 - CLUSTER IDENTIFICATION**

Project Title	Federal CFDA Number	Cluster
School Breakfast Program	10.553	Child Nutrition Cluster
National School Lunch Program	10.555	Child Nutrition Cluster
Special Education - Grants to States	84.027	Special Education Cluster (IDEA)
Special Education - Preschool Grants	84.173	Special Education Cluster (IDEA)

**NOTE 3 - NATIONAL SCHOOL LUNCH PROGRAM - PASSED THROUGH the PENNSYLVANIA DEPARTMENT of AGRICULTUR**

- A) Beginning inventory at July 1.
- B) Total amount of commodities received from the Department of Agriculture.
- C) Total amount of commodities used.
- D) Ending inventory at June 30.

**NOTE 4 - ACCESS**

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct, eligible health-related services provided to enrolled special needs students. Reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance. Because only federal financial assistance is included on the schedule of expenditures of federal awards, ACCESS reimbursements are not included on the schedule. The amount of ACCESS funding received for the year ended June 30, 2015, was \$130,372. Of this amount, \$32,754 is listed on the PDE confirmation as program #044-007189 and \$97,618 was received through the Lancaster-Lebanon Intermediate Unit #13.

**NOTE 5 - RETURN OF FUNDS**

In 2014, the approved project amount was amended to reduce the grant amount from \$499,439 to \$497,590. PDE inadvertently granted the original obligation to the District. As a result, the District was required to pay back the remaining \$1,849. These funds were returned to PDE in December 2014, per the PDE confirmation.

See independent auditors' report.

**INDEPENDENT AUDITORS' REPORT on INTERNAL CONTROL OVER FINANCIAL REPORTING and on COMPLIANCE  
and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in ACCORDANCE with  
GOVERNMENT AUDITING STANDARDS**

To the Board Officers and Members  
**Hempfield School District**  
Lancaster County, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Hempfield School District**, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise **Hempfield School District's** basic financial statements, and have issued our report thereon dated October 28, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered **Hempfield 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 **Hempfield School District's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Hempfield 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 **Hempfield School District's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

October 28, 2015  
Lancaster, Pennsylvania

  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT on COMPLIANCE for each MAJOR PROGRAM  
and on INTERNAL CONTROL over COMPLIANCE as REQUIRED by OMB CIRCULAR A-133**

To the Board Officers and Members  
**Hempfield School District**  
Lancaster County, Pennsylvania

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

We have audited **Hempfield 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 **Hempfield School District's** major federal programs for the year ended June 30, 2015. **Hempfield School District's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of **Hempfield 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 **Hempfield 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 **Hempfield School District's** compliance.

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

In our opinion, **Hempfield 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 **Hempfield 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 **Hempfield 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 **Hempfield School District's** internal control over compliance.

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

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

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

October 28, 2015  
Lancaster, Pennsylvania

  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

**Hempfield School District**  
SCHEDULE of FINDINGS and QUESTIONED COSTS  
Year Ended June 30, 2015

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of **Hempfield School District**.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Hempfield School District** were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of the major federal programs are reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance as Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **Hempfield School District** expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for **Hempfield School District** are reported in part C of this schedule.
7. The programs tested as major programs are: School Breakfast Program - CFDA #10.553, National School Lunch Program - CFDA #10.555, and Improving Teacher Quality - Grants to States - CFDA #84.367.
8. The threshold for distinguishing type A and B programs was \$300,000.
9. **Hempfield School District** was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Awards Programs Audit

None

**Hempfield School District**  
SUMMARY SCHEDULE of PRIOR AUDIT FINDINGS  
Year Ended June 30, 2015

There were no findings from the prior year.