DOVER AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Dover Area School District
Dover, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As disclosed in Note 1, to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014. The District expanded its note disclosures and required supplementary information related to its pension plans. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 13 and the required supplementary information as listed in the table of contents, 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 which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dover Area School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016, on our consideration of the Dover Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dover Area School District’s internal control over financial reporting and compliance.

Boyer & Ritter

Camp Hill, Pennsylvania
February 11, 2016

Management's Discussion and Analysis of the Dover Area School District provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of the MD&A is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes in conjunction with the MD&A to enhance their understanding of the School District's financial performance.

Overview of the Financial Statements

The Annual Financial Report consists of various financial statements and the notes to those statements. The financial reports consist of District-wide and individual fund statements. The District-wide statements present an aggregate long-term view of the School District's finances. The fund financial statements focus on the short-term financing of the School District's services and what remains for future spending.

District-wide Statements

Statement of Net Position and Statement of Activities

The Statement of Net Position and Statement of Activities reflect all assets and liabilities using the accrual basis of accounting similar to the basis used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash was received or paid. These statements report the School District's net position and change in net position. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished.

In the Statement of Net Position and Statement of Activities, the School District is divided into two categories:

> Governmental Activities **-** Most of the School District's programs are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.
>
> Business-Type Activity **-** This service is provided on a charge for goods and services basis to recover the expenses of the goods or services provided. The Food Service Program is reported as a business activity.

Fund Financial Statements

Fund financial reports provide detailed information about the School District's funds. Funds are used to separate financial transactions to better monitor specific activities.

Funds at Dover Area School District include:

- Major Governmental Funds
  - General Fund
  - Capital Projects Fund
- Proprietary Fund
  - Enterprise Fund - Food Services
- Agency Fund
  - Student Activity Funds

Financial Highlights

- Actual change in governmental activities net position increased by $747,068 while business-type activity had a minimal positive change in net position by $47,926.

- General Fund unassigned fund balance at June 30, 2015, was $4,089,313, which represents 7.26% of the 2014-2015 General Fund Approved Budget. General Fund non-spendable fund balance includes $3,696,985 for medical insurance prepayments with Lincoln Benefit Trust and other pre-payments. General Fund committed fund balance of $7,258,806 includes $3,841,671 for retirement contributions, $500,000 for technology, $907,802 medical costs, and $2,009,333 for debt principal.

- Total governmental fund balances equaled $26,367,843. The following shows the breakdown by fund:

  - General Fund Balance of $19,369,104 (unrestricted, committed, and non-spendable)
  - Capital Projects Fund Balance of $6,998,739.

Reporting the School District as a Whole

The perspective of the Statement of Net Position is of the School District as a whole. Table 1 provides a summary of net position for 2015 compared to 2014.

Table 1

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Total assets	$ 83,509,238	$ 83,916,649	$ 254,706	$ 124,385	$ 83,763,944	$ 84,041,034
Total deferred outflows of resources	$ 6,748,938	$ 368,325	$ 141,000	$ -	$ 6,889,938	$ 368,325
Total liabilities	$ 118,980,920	$ 56,166,786	$ 1,521,006	$ 123,611	$ 120,501,926	$ 56,290,397
Total deferred inflows of resources	$ 4,710,000	$ -	$ 97,000	$ -	$ 4,807,000	$ -
Net investment in capital assets	$ 11,505,345	$ 7,594,382	$ 1,374	$ 3,405	$ 11,506,719	$ 7,597,787
Unrestricted	(44,938,089)	20,523,806	(1,223,674)	(2,631)	(46,161,763)	20,521,175
Total net position	$ (33,432,744)	$ 28,118,188	$ (1,222,300)	$ 774	$ (34,655,044)	$ 28,118,962

Governmental Activities

On June 30, 2015, the School District had total assets from governmental activities of $83,509,238; which was a decrease of $407,411 or .49% during the fiscal year. Total governmental deferred outflows increased by $6,380,613 and deferred inflows increased by $4,710,000, while governmental liabilities increased by $62,814,134. Factors that significantly affected net position in the 2014-2015 fiscal year were:

- General fund cash and investments increased by $2,058,115 from the prior year, while capital projects cash and investments (capital project and capital reserve) decreased by $648,269. General Fund cash increased as a result of expenditures not exceeding the budget. Capital project cash and investments decreased due to the payment of construction invoices.

- Outstanding debt decreased by $3,374,000 as principal was repaid.

- In 2014-2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which established standards for recognizing pension liabilities, deferred outflows and inflows, and expenditures related to pensions. See Note 9, for more information on this implementation. The implementation resulted in the large variance in deferred inflows, deferred outflows, and liabilities for both the governmental and business-type activities.

Table 2 reflects the changes in net position for fiscal year 2015 compared to fiscal year 2014.

Table 2

Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	$ 258,786	$ 292,752	$ 683,475	$ 709,611	$ 942,261	$ 1,002,363
Operating grants and contributions	9,104,376	9,103,781	907,458	825,699	10,011,834	9,929,480
General revenues						
Property taxes	27,999,691	27,475,617	-	-	27,999,691	27,475,617
Other taxes	5,494,731	5,750,115	-	-	5,494,731	5,750,115
Grants, subsidies and contributions not restricted	12,061,980	12,061,507	-	-	12,061,980	12,061,507
Investment earnings	265,321	267,090	236	218	265,557	267,308
Miscellaneous income	86,984	119,255	-	-	86,984	119,255
Total revenues	55,271,869	55,070,117	1,591,169	1,535,528	56,863,038	56,605,645
Expenses						
Instruction	36,246,801	36,289,752	-	-	36,246,801	36,289,752
Instructional student support	4,547,206	4,369,806	-	-	4,547,206	4,369,806
Administrative and financial services	4,236,053	4,454,753	-	-	4,236,053	4,454,753
Operation and maintenance of plant services	4,103,220	4,279,584	-	-	4,103,220	4,279,584
Pupil transportation	2,865,942	2,539,168	-	-	2,865,942	2,539,168
Student activities	984,752	1,027,948	-	-	984,752	1,027,948
Community services	-	8,549	-	-	-	8,549
Interest on long-term debt	1,540,827	1,394,810	-	-	1,540,827	1,394,810
Food service	-	-	1,543,243	1,456,294	1,543,243	1,456,294
Total expenses	54,524,801	54,364,370	1,543,243	1,456,294	56,068,044	55,820,664
Changes in net position	$ 747,068	$ 705,747	$ 47,926	$ 79,234	$ 794,994	$ 784,981

2015 governmental revenues, excluding business-type activity transfers, increased by .37% or $201,752. Reasons for the increase are primarily attributed to the following changes:

- Real estate taxes collected increased by 1.91% or $524,074 as a result of a 2.11% increase in the millage rate.

- Other tax revenues decreased overall by 4.44% or $255,384. This category includes earned income, real estate transfer taxes, public utility, and delinquent earned income taxes. The change arose from a decrease in earned income tax collections of 5.50% or $281,943. Moreover, real estate transfer tax collections increased by 6.95% or $22,536; and delinquent earned income tax collections increased by 4.04% or $3,781.

- Charges for services decreased by 11.60% or $33,966. These services include revenue received from other school districts for mainstreaming children placed in private homes, rental of school facilities, and admission revenues. The decline results from the number of students serviced.

- Investment earnings decreased by .66% or $1,769. Investment revenues declined as investments matured and were reinvested in the current, low-interest rate market.

Property taxes contributed 50.66% of total revenues for governmental activities during fiscal year 2014-2015. Other major contributors to revenue include unrestricted grants, subsidies and contributions at 21.82%; operating grants and contributions at 16.47%; and other taxes levied at 9.94%. Property taxes, as a percentage of total revenues, continue to show small increases annually.

Governmental program expenditures increased by .30% from $54.3 million to approximately $54.5 million. Major changes in expenditures can be primarily attributed to the following:

- Total annual wages increased overall by 1.72% or $370,791. This is the net change from annual contract increases and the decrease from retirement savings through attrition.

- The PSERS employer contribution rate for employee retirement increased, changing from 16.93% in 2013-2014 to 21.40% in 2014-2015. Retirement expense increased by 26.98% or $973,797 as wages increased. Retirement expense was 20.87% of total wages.

- Total group insurance expenses increased by 3.03%; which was comprised of a medical insurance increase of 3.12% or $150,905, and a dental insurance decrease of .97% or $2,034. The medical insurance increase is the net change from premium increases, enrollment changes, and retirements.

- Professional and Technical Services overall decreased by 11.04% or $697,887, mostly due to increases in Lincoln Intermediate Unit and other educational agencies technical services. Lincoln Intermediate Unit educational services include life skills, emotional support, students with impaired hearing and vision, pervasive development disorder, and services for children who are autistic and/or multi-handicapped.

- Repair costs for buildings and grounds increased by 16.81% or $81,263. Supplies decreased by 13.71% or $211,335.

- Due to increased enrollments, student tuition costs overall increased to other local educational agencies or charter schools by $184,746 or 9.70% and Vocational Education tuition costs increased by $135,771 or 10.53%.

Instructional costs contributed to 66.48% of total program expenses for governmental activities in fiscal year 2014-2015.

The Statement of Activities reflects the costs of program services and the charges for services, sales, grants, and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and net cost of services.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction	$ 36,246,801	$ 36,289,752	$ 29,131,799	$ 29,537,418
Support Services				
Pupil and instruction staff	4,547,206	4,369,806	3,179,468	2,716,021
Board of Education,				
Administrative and fiscal	4,236,053	4,454,753	3,821,467	3,994,215
Operation and maintenance of plant services	4,103,220	4,279,584	3,846,542	3,966,039
Pupil transportation	2,865,942	2,539,168	2,863,294	2,535,659
Student activities	984,752	1,027,948	778,242	816,367
Community	-	8,549	-	7,308
Interest on long-term debt	1,540,827	1,394,810	1,540,827	1,394,810
Total expenses	$ 54,524,801	$ 54,364,370	$ 45,161,639	$ 44,967,837

Only 17.17% of the 2014-2015 total cost of services for the governmental activities was funded by charges for services, and operating grants, and contributions. The remaining costs were funded by tax revenues and the basic instructional subsidy.

Business-Type Activity

The only business-type activity at Dover Area School District is the Food Service Operation. The School District provides both breakfast and lunch programs for grades K through 12. This program had operating revenues of $683,475 and non-operating revenue of $907,458 that included a transfer from the General Fund of $110,392. Total expenses were $1,543,243 for the fiscal year 2014-2015. School meal prices for lunch and breakfast increased by 10 cents, while milk prices increased by 5 cents. The School District received 57.04% of its revenues from operating grants and contributions from the Federal and state reimbursable breakfast and lunch programs. Revenue from state and Federal grants increased by $81,759 due to an increase in governmental food commodities received. Total operating revenues decreased by 3.68% or $26,136, while expenditures increased by 5.97% or $86,949. Total net position decreased $1,223,074 to provide an ending net position of $(1,222,300) on June 30, 2015 as a result of the implementation of GASB Statement No. 68 (see Note 9).

General Fund Budgeting Highlights

For the 2014-2015 fiscal year, total General Fund revenue/local sources exceeded budget by $177,477. The state funded revenue exceeded budget by 4.16% or $800,299 and Federal revenue fell below budget by 14.06% or $72,384.

Total General Fund expenditures were under budget by 4.24% or $2,392,440. The budgetary reserve of $100,000 was not transferred during the year. Other significant expenditure-budget variances are discussed below.

- Regular program expenditures were less than the original budget by .45% or $101,514. Most of this variance is a result of hiring faculty and adding additional resources to adhere to class-size policy guidelines.

- Vocational Education Program expenditures were under final budget by 1.41% or $48,855 due to program reductions, and student enrollment was less than budgeted.

- Operation and Maintenance of Plant Services had a favorable variance from final budget of 11.34% or $488,001. This favorable variance resulted from savings in commodity procurement, utilization of inventory, disposal services, lawn care services, and repairs and maintenance of facilities.

- Technology Support Services were under final budget by $156,258 or 7.02% due to savings in the procurement of new and replacement equipment.

- Student Transportation Services were under final budget by .84% or $24,240 due to a negotiated due to favorable diesel procurement.

- Debt Service was under budget by 28.75% or $1,100,980 due to a budgeted extra debt payment that was not necessary and also favorable variable, interest- rate loan payments.

- Athletic Program costs were budgeted and reflected in Student Activities as required by GASB No. 54. Student Activities were under budget by 14.54% or $154,834.

Capital Assets

Table 4

Capital Assets

	Governmental Activities		Business-Type Activity		Total	
	2015	2014	2015	2014	2015	2014
Land	$ 170,000	$ 170,000	$ -	$ -	$ 170,000	$ 170,000
Building and building improvements	49,574,273	50,575,808	-	-	49,574,273	50,575,808
Furniture and equipment	1,140,052	1,167,768	1,374	3,405	1,141,426	1,171,173
Total capital assets	$ 50,884,325	$ 51,913,576	$ 1,374	$ 3,405	$ 50,885,699	$ 51,916,981

Total Governmental Capital Assets decreased by 1.98% or $1,029,251 as this represents a full year of depreciation.

Debt

At June 30, 2015, the Dover Area School District had $46,608,000 in bonds outstanding. Table 5 summarizes and compares bonds outstanding for the 2015 and 2014 fiscal years.

Table 5

Bonds Outstanding

General Obligation Debt	2015	2014
Note Series of 2008	$ 14,188,000	$ 14,357,000
Bond Series of 2010	17,380,000	18,065,000
Bond Series of 2011 - Refunding of G.O. Bond Series of 2001	1,605,000	3,145,000
Bond Series of 2011A - Refunding of G.O. Bond Series of 2006	9,745,000	9,935,000
Bond Series of 2013 - Refunding of G.O. Bond Series of 2003	3,690,000	4,480,000
Total Outstanding Debt	$ 46,608,000	$ 49,982,000

Total outstanding debt decreased by $3,374,000 as principal was repaid.

Economic Impact

The Dover Area School District has investments at Wells Fargo Bank, M&T Bank, and the Pennsylvania School District Liquid Asset Fund. The Federal Deposit Insurance Corporation (FDIC) insures the bank account balances, and additional protection of investments is guaranteed through Act 72 of 1971. Act 72 requires banks to provide securities as collateral for all public balances on deposit. The Pennsylvania School District Liquid Asset Fund (PSDLAF) provides collateral segregated at a third-party institution or guaranteed by the Federal Home Loan Bank Letter-of-Credit. The PSDLAF collateral is monitored daily at 102.00% of market value at the close of business.

The Public School Employees' Retirement System certified rates of 8.65% for 2011-2012; 12.36% for 2012-2013; 16.93% for 2013-2014, 21.43% for 2014-2015, and 25.84% for 2015-2016. Future projections are inclined to reach nearly 32.00% over the next three years. To prepare for future rate increases, the District has committed fund balance of approximately $3.8 million as of June 30, 2015.

The Commonwealth of Pennsylvania provided an increase in the annual basic educational subsidy and basically flat-funded special education for the sixth consecutive year. Continued reductions or fluctuations in state subsidies, PSERS increases, and the possibility of new unfunded mandates are matters of concern for the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds - Fund Balance

The focus of the District's governmental funds is to provide information on relatively short-term cash flows and future basic services. Such information is useful in assessing the Dover Area School District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of June 30, 2015, the Dover Area School District reported total governmental funds ending fund balance approximating $26.4 million. Fund balance classifications are as follows: Nonspendable - $3,696,985; Restricted - $6,998,739; Committed - $7,258,806; Assigned - $4,324,000; and Unassigned - $4,089,313.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Dover Area School District's original budget anticipated revenues at $54,442,453 and expenditures of $56,442,453. 2015 actual results were revenues in excess of budget by approximately $1.04 million, and expenses under budget by approximately $2.4 million.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about this report or need additional information, please contact Jennifer Benko, Acting Business Manager, at (717) 292-3671, Ext. 80201, email JBenko@doversd.org or by mail at the Dover Area School District, 101 Edgeway Road, Dover, PA 17315.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	$ 4,248,183	$ 234,921	$ 4,483,104
Investments	20,144,372	-	20,144,372
Receivables	3,340,028	9,349	3,349,377
Inventories	-	9,062	9,062
Prepaid expenses	3,696,985	-	3,696,985
Pay variable interest rate swap			
Due within one year	213,400	-	213,400
Due in more than 1 year	981,945	-	981,945
Total pay variable interest rate swap	1,195,345	-	1,195,345
Capital assets			
Land and construction-in-progress	170,000	-	170,000
Other capital assets, net of depreciation	50,714,325	1,374	50,715,699
Total capital assets	50,884,325	1,374	50,885,699
Total assets	$ 83,509,238	$ 254,706	$ 83,763,944
Deferred Outflows of Resources			
Deferred amounts on pension liability	$ 6,442,000	$ 141,000	$ 6,583,000
Deferred amounts on refunding debt	306,938	-	306,938
Total deferred outflows of resources	$ 6,748,938	$ 141,000	$ 6,889,938
Liabilities			
Internal balances	$ (110,187)	$ 110,187	$ -
Accounts payable and accrued expenses	4,526,051	501	4,526,552
Unearned revenue	-	29,262	29,262
Long-term liabilities			
Due within one year	3,499,389	-	3,499,389
Due in more than 1 year	111,065,667	1,381,056	112,446,723
Total long-term liabilities	114,565,056	1,381,056	115,946,112
Total liabilities	$ 118,980,920	$ 1,521,006	$ 120,501,926
Deferred Inflows of Resources			
Deferred amounts on pension liability	$ 4,710,000	$ 97,000	$ 4,807,000
Net Position			
Net investment in capital assets	$ 11,505,345	$ 1,374	$ 11,506,719
Unrestricted	(44,938,089)	(1,223,674)	(46,161,763)
Total net position	$ (33,432,744)	$ (1,222,300)	$ (34,655,044)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

		Program Revenues		Net (Expense) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities:						
Instruction	$ 36,246,801	$ 132,007	$ 6,982,995	$ (29,131,799)	$ -	$ (29,131,799)
Instructional student support	4,547,206	-	1,367,738	(3,179,468)	-	(3,179,468)
Administrative and financial services	4,236,053	-	414,586	(3,821,467)	-	(3,821,467)
Operation and maint. of plant services	4,103,220	14,146	242,532	(3,846,542)	-	(3,846,542)
Pupil transportation	2,865,942	-	2,648	(2,863,294)	-	(2,863,294)
Student activities	984,752	112,633	93,877	(778,242)	-	(778,242)
Interest on long-term debt	1,540,827	-	-	(1,540,827)	-	(1,540,827)
Total governmental activities	54,524,801	258,786	9,104,376	(45,161,639)	-	(45,161,639)
Business-Type Activity:						
Food Service	1,543,243	683,475	907,458	-	47,690	47,690
Total primary government	$ 56,068,044	$ 942,261	$ 10,011,834	$ (45,161,639)	$ 47,690	$ (45,113,949)
General Revenues:						
Property taxes, levied for general purposes, net				$ 27,999,691	$ -	$ 27,999,691
Public Utility Realty, Transfer, Earned Income, and Per Capita for General Purposes, net				5,494,731	-	5,494,731
Grants, subsidies and contributions not restricted				12,061,980	-	12,061,980
Investment earnings				265,321	236	265,557
Loss on disposition of capital assets				(163)	-	(163)
Miscellaneous income				87,147	-	87,147
Total general revenues and transfers				45,908,707	236	45,908,943
Changes in net position				747,068	47,926	794,994
Net position - July 1, 2014 (as previously reported)				28,118,188	774	28,118,962
Prior period adjustment (see Note 9)				(62,298,000)	(1,271,000)	(63,569,000)
Net position - July 1, 2014 (restated)				(34,179,812)	(1,270,226)	(35,450,038)
Net position - June 30, 2015				$ (33,432,744)	$ (1,222,300)	$ (34,655,044)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Capital Projects Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	$ 538,580	$ 3,709,603	$ 4,248,183
Investments	16,850,591	3,293,781	20,144,372
Receivables			
Taxes	1,976,779	-	1,976,779
Federal subsidies	88,941	-	88,941
State subsidies	1,131,993	-	1,131,993
Other	64,560	-	64,560
Due from other governments	77,755	-	77,755
Due from other funds	112,454	-	112,454
Prepaid expenses	3,696,985	-	3,696,985
Total assets	$ 24,538,638	$ 7,003,384	$ 31,542,022
Liabilities			
Accounts payable	$ 536,075	$ 3,160	$ 539,235
Due to other funds	3,225	1,485	4,710
Accrued salaries and benefits	2,303,746	-	2,303,746
Payroll deductions and withholdings	1,478,838	-	1,478,838
Total liabilities	4,321,884	4,645	4,326,529
Deferred Inflows of Resources			
Delinquent property taxes	847,650	-	847,650
Fund Balances			
Nonspendable	3,696,985	-	3,696,985
Restricted	-	6,998,739	6,998,739
Committed	7,258,806	-	7,258,806
Assigned	4,324,000	-	4,324,000
Unassigned	4,089,313	-	4,089,313
Total fund balances	19,369,104	6,998,739	26,367,843
Total liabilities, deferred inflows of resources and fund balances	$ 24,538,638	$ 7,003,384	$ 31,542,022

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - governmental funds		$ 26,367,843
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources, and therefore, they are not reported as assets in governmental funds. The cost of assets is $119,443,264, and the accumulated depreciation is $68,558,939.		50,884,325
Interest rate swap asset will be settled in periods through 2021 and is not a source of current revenue. It is recorded as swap settlements are made.		1,195,345
Property taxes and earned income taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred inflows of resources in the funds.		847,650
The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.		306,938
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail)		
Deferred outflows		6,442,000
Deferred inflows		(4,710,000)
Long-term liabilities; including bonds payable, net pension liability, compensated absences, and other post-employment benefits; are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable, net of related discounts and premiums	(46,684,657)	
Accrued interest payable	(201,789)	
Other post-employment benefit obligation	(785,572)	
Net pension liability	(65,906,000)	
Compensated absences	(1,188,827)	
		(114,766,845)
Total net position - governmental activities		$ (33,432,744)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Totals Governmental Funds
Revenues			
Local sources	$ 34,905,134	$ 10,270	$ 34,915,404
State sources	19,996,624	-	19,996,624
Federal sources	586,861	-	586,861
Total revenues	55,488,619	10,270	55,498,889
Expenditures			
Current:			
Instructional	33,583,423	-	33,583,423
Support services	14,783,474	566,935	15,350,409
Operation of noninstructional services	910,733	-	910,733
Refunds of prior year's receipts	266	-	266
Total Current	49,277,896	566,935	49,844,831
Capital outlay	-	71,238	71,238
Debt service	4,772,117	-	4,772,117
Total expenditures	54,050,013	638,173	54,688,186
Net change in fund balances	1,438,606	(627,903)	810,703
Fund Balances:			
July 1, 2014	17,930,498	7,626,642	25,557,140
June 30, 2015	$ 19,369,104	$ 6,998,739	$ 26,367,843

See Notes to Financial Statements.

DOVER AREA 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

Net changes in fund balances - governmental funds		$	810,703
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 costs of those assets are allocated over their useful lives as depreciation expense. This is the amount by which the depreciation expense and dispositions of capital assets exceeds capital outlays in the period.			
Capital outlays	464,825		
Less net book value of disposed assets	(163)		
Less depreciation expense	(1,493,913)		(1,029,251)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources decreased by this amount this year.			(228,514)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The change in interest costs in the Statement of Activities over the amount due is shown here.			30,515
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
District pension contributions			4,391,000
Cost of benefits earned net of employee contributions (pension expense)			(6,267,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.			(161,160)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of issuance costs, premiums, 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 debt and related items.			
Repayment of long-term debt	3,374,000		
Amortization of charges for bond refunding	(61,387)		
Amortization of bond premiums and discounts - net	73,940		
Change in pay-variable, interest-rate swap liability	(185,778)		3,200,775
Changes in net position of governmental activities		$	747,068

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015

	General Fund			
	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues				
Local sources	$ 34,731,650	$ 34,731,650	$ 34,905,134	$ 173,484
State sources	19,196,326	19,196,326	19,996,624	800,298
Federal sources	514,477	514,477	586,861	72,384
Total revenues	54,442,453	54,442,453	55,488,619	1,046,166
Expenditures				
Current				
Instructional	33,836,852	33,745,030	33,583,423	161,607
Support services	15,537,558	15,658,758	14,783,474	875,284
Operation of noninstructional services	1,094,946	1,065,568	910,733	154,835
Refunds of prior year's receipts	-	-	266	(266)
Total Current	50,469,356	50,469,356	49,277,896	1,191,460
Capital outlay	-	-	-	-
Debt service	5,873,097	5,873,097	4,772,117	1,100,980
Total expenditures	56,342,453	56,342,453	54,050,013	2,292,440
Excess (deficiency) of revenues over expenditures	(1,900,000)	(1,900,000)	1,438,606	3,338,606
Other Financing Sources (Uses)				
Budgetary reserve	(100,000)	(100,000)	-	100,000
Net changes in fund balance	$ (2,000,000)	$ (2,000,000)	1,438,606	$ 3,438,606
Fund Balance:				
July 1, 2014			17,930,498	
June 30, 2015			$ 19,369,104	

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2015

Assets	
Cash and cash equivalents	$ 234,921
Due from other governments	12,452
Other receivables	(3,103)
Inventories	9,062
Other capital assets, net of depreciation	1,374
Total assets	$ 254,706
Deferred Outflows of Resources	
Deferred amounts on pension liability	$ 141,000
Liabilities	
Internal balances	$ 110,187
Accounts payable	266
Accrued salaries and benefits	235
Unearned revenue	29,262
Long-term liabilities	
Net pension liability	1,342,000
Compensated absences	39,056
Total long-term liabilities	1,381,056
Total liabilities	$ 1,521,006
Deferred Inflows of Resources	
Deferred amounts on pension liability	$ 97,000
Net Position	
Net investment in capital assets	$ 1,374
Unrestricted	(1,223,674)
Total net position	$ (1,222,300)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2015

Operating Revenues	
Food service revenues	$ 683,475
Operating Expenses	
Salaries	504,867
Employee benefits	322,434
Purchased professional and technical services	6,083
Purchased property services	8,943
Supplies	690,681
Depreciation	2,031
Other operating expenses	8,204
Total operating expenses	1,543,243
Operating loss	(859,768)
Nonoperating Revenues	
Investment earnings	236
State sources	120,014
Federal sources	787,444
Total nonoperating revenues	907,694
Change in net position	47,926
Net Position - July 1, 2014 (as previously reported)	774
Prior period adjustment (see Note 9)	(1,271,000)
Net Position - July 1, 2014 (as restated)	(1,270,226)
Net Position - June 30, 2015	$ (1,222,300)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2015

Cash Flows From Operating Activities	
Cash received from users	$ 693,909
Cash payments to employees for services	(749,766)
Cash payments to suppliers for goods and services	(629,264)
Cash payments for other operating expenses	(8,204)
Net cash used in operating activities	(693,325)
Cash Flows From Noncapital Financing Activities	
Federal and state subsidies	937,565
Cash Flows From Investing Activities	
Investment earnings	236
Net increase in cash and cash equivalents	244,476
Cash and Cash Equivalents:	
July 1, 2014	(9,555)
June 30, 2015	$ 234,921
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	$ (859,768)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	2,031
Value of donated commodities	78,936
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	5,611
Inventories	(2,530)
Deferred outflow of resources	(141,000)
(Decrease) increase in:	
Accounts payable	37
Accrued salaries and benefits	(560)
Internal balances	48,032
Unearned revenue	4,823
Compensated absences	3,063
Net pension liability	71,000
Deferred inflow of resources	97,000
Net cash used in operating activities	$ (693,325)

See Notes to Financial Statements.

DOVER AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

		Agency Fund
		Student Activities
Assets		
Cash and cash equivalents	$	55,388
Accounts receivable		537
Due from other funds		2,443
Total assets	$	58,368
Liabilities		
Due to student groups		58,368
Total liabilities	$	58,368

See Notes to Financial Statements.

Note 1. Summary of significant Accounting Policies

Dover Area School District (the District) operates a public-school system that encompasses three municipalities in York County. The District operates four elementary schools, one middle school, and one high school. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The governing body of the District is comprised of a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. Funding for the District is received from local, Commonwealth, and Federal sources and must comply with the requirements of the various funding-source agencies.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the School District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied 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:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. The significant effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental funds and proprietary and fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources-measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows less total liabilities and deferred inflows) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and accumulated depreciation is reported on the Statement of Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources-measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers real estate revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

When both restricted and unrestricted (including committed, assigned, and unassigned) resources are available for use, it is the School District's policy to generally use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed. However, the District does use unassigned monies at times to pay for expenditures that may have been board-committed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from local property, earned income, per capita and occupational taxes, and state and Federal distributions. Many of the more important activities of the District, including instruction, administration of the District and certain non-instructional services are accounted for in this fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service program.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food-service program. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food-service charges. Operating expenses for the District's proprietary fund include food-production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District maintains the following fiduciary fund type:

> Agency Fund - Student Activities - The student activities fund accounts for assets held by the District as an agent for various student groups.

D. Budget and Budgetary Accounting

The School Board approves, prior to the beginning of each year, an annual budget on the modified-accrual basis for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The General Fund is the only fund that has an annual budget that has been legally adopted by the School Board. The School Board does not legally adopt the Food Service Fund budget; however, the budget is approved by the Board. The Public School Code allows the School Board to authorize budget-transfer amendments during the last nine months of each fiscal year.

The School District may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure such as salaries or supplies. Amendments require School Board approval. All appropriations lapse at the end of each fiscal year.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value.

Inventories: On government-wide financial statements, inventories are presented at the lower of cost or market on the first-in, first-out (FIFO) method, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2015. The inventory consisted of government-donated commodities which were valued at estimated, fair-market value, and purchased commodities and supplies, both valued at cost using the FIFO method.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized in accordance with board policy at the discretion of management. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extents to which the assets are part of larger capital projects. Established procedures state that capital assets are defined as individual assets with costs greater than $4,000 and estimated useful lives in excess of one year. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' useful lives are not capitalized.

Depreciation is provided for capital assets on the straight-line basis over the following estimated useful lives of the assets or groups of assets as determined by management:

	Estimated Lives (in years)	
	Governmental Activities	Business-Type Activities
Land improvements	20	N/A
Buildings and improvements	15 - 20	N/A
Machinery and equipment	5 - 20	5 - 25

Deferred Outflows of Resources - Deferred amounts on refunding debt: The District recognizes the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow which is recognized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Deferred Outflows of Resources – Pensions: The District recognizes the changes in proportions in the pension plan, the difference between employer contributions and proportionate share of total contributions, and the contributions subsequent to the measurement date June 30, 2014, as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements and proprietary-fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity column in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds. Bonds payable are reported inclusive of or net of applicable bond premiums or discounts, respectively.

In the fund financial statements, governmental-fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is 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: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues employee benefits such as unpaid vacation and sick pay. Calculations of these amounts are determined by the appropriate vacation, sick and retirement lump-sum payments which would be available to employees if they would leave or retire from the District and the calculations are adjusted for expected turnover rates of employees.

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees Retirement System, a governmental cost-sharing, multiple-employer, defined-benefit pension plan. The District provides access to retiree health and dental-care benefits, including prescription-drug coverage, to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

Pensions: 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 to PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable. The investments of the plan are reported at fair value.

Interfund Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

Deferred Inflows of Resources - Unearned Revenues: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources - Pensions: The District recognizes the net difference between projected and actual investment earnings of the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining services lives of active and inactive members.

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 reported as reservations of fund balances because they do not constitute expenditures or liabilities. GASB Statement No. 54 provides additional guidance on the classification within the Net Position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements. As of June 30, 2015, the District had no encumbrances.

Fund Balance:

The School District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through board policy, the Board has delegated the authority to express intent to the District's Director of Administration or the Budget and Finance Committee.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities and Net Position or Equity (Continued)

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an assigned and unassigned General Fund balance of not less than 5 percent and not more than 8 percent of the budgeted expenditures for that year.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the District will reduce the committed balance first, followed by the assigned balance, and then the unassigned balance.

F. Other

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

Change in Accounting Principle: In June 2012, GASB issued 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. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for the District's 2015 financial statements.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 11, 2016, the date the financial statements were available to be issued.

Note 2. Deposits and Investments

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

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or its instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by either:
  1. The Federal Deposit Insurance Corporation (FDIC), or
  2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
  3. The National Credit Union Share Insurance Fund (NCUSIF)

  to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or District policies.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2015, are shown below:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	$ 250,000	$ 250,000	Susquehanna Bank
Insured (FDIC)	4,122,226	4,122,226	PSDLAF FDIC CD's
Uninsured and collateralized by assets maintained in conformity with Act 72	348,555	353,811	Susquehanna Bank
	$ 4,720,781	$ 4,726,037	

PSDLAF FDIC Certificate of Deposits (CDs) - The District invests in Certificates of Deposit at a number of banks through a PSDLAF program. These investments are individually covered by FDIC as they are under the FDIC insurance threshold of $250,000. The certificates are invested at the various banks and are booked in the name of the District and tax identification number.

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

Note 2. Deposits and Investments (Continued)

Investments

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

	Weighted-Avg Maturities	Rating	Fair Values
Pennsylvania School District Liquid Asset Fund			
Collateralized CD Investment Pool (CD Pool)	Various	NA	$ 17,000,000
Max Series (PSDMAX)	54	AAAm	3,617,782
Liquid Series (PSDLAF)	54	AAAm	17,599
			$ 20,635,381

Portfolio Assets

The Liquid Series (PSDLAF) fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

The Max Series (PSDMAX) fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

Collateralized CD Investment Pool - This pool of certificates of deposits is collateralized in accordance with Act 72 and invests in certificates of deposit in the name of PSDLAF.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

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

Note 2. Deposits and Investments (Continued)

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices

Concentrations-of-Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are entirely held with PSDLAF.

Note 3. Taxes Receivable, Deferred Inflows of Resources and Estimated Uncollectible Taxes

Summaries of taxes receivable and related accounts of the General Fund at June 30, 2015, are as follows:

	Amount
Taxes Receivable - Net	$ 1,976,779
Taxes to be collected within 60 days	$ 1,129,129
Deferred inflows of resources - delinquent property taxes	847,650
Taxes Receivable - Net	$ 1,976,779

Note 4. Property Taxes

Based upon assessed valuations provided by York County, the municipal tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2014-2015, is as follows:

July 1, 2014	Tax-Levy Date
Through September 15, 2014	2% Discount
Through November 15, 2014	Face-Payment Period
November 15, 2014	10%-Penalty Period
January 1, 2015	Lien-Filing Date

The District's tax rate for all purposes in 2014-2015, was 21.934 mills ($21.934 per $1,000 assessed valuation). Refunds on payments of prior-year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania Accounting System.

Note 5. Interfund Accounts

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

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	$ 112,454	$ 3,225
Capital Projects	-	1,485
Total Government	112,454	4,710
Proprietary Fund		
Food Service	205	110,392
Fiduciary Fund		
Student Activities	2,443	-
	$ 115,102	$ 115,102

All interfund receivable/payable balances resulted from time lags between the dates that (1) interfund goods and services were provided or reimbursable expenditures were incurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Transfers and payments within the District are substantially for purposes or subsidizing operating functions or funding routine capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administrations of various projects or programs. There were no operating transfers between funds for the year ended June 30, 2015.

Note 6. Capital Assets

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

	July 1, 2014	Increases	Decreases	June 30, 2015
Governmental Activities:				
Capital assets, not being depreciated				
Land	$ 170,000	$ -	$ -	$ 170,000
Total Capital assets not being depreciated	170,000	-	-	170,000
Capital assets being depreciated				
Buildings and building improvements	112,207,952	193,505	-	112,401,457
Furniture and equipment	6,600,731	271,320	(244)	6,871,807
Total capital assets being depreciated	118,808,683	464,825	(244)	119,273,264
Less accumulated depreciation				
Buildings and building improvements	61,632,144	1,195,040	-	62,827,184
Furniture and equipment	5,432,963	298,873	(81)	5,731,755
Total accumulated depreciation	67,065,107	1,493,913	(81)	68,558,939
Total capital assets being depreciated, net	51,743,576	(1,029,088)	(163)	50,714,325
Total Governmental Activities, Capital Assets - Net	$ 51,913,576	$ (1,029,088)	$ (163)	$ 50,884,325
Business-Type Activity:				
Capital assets being depreciated				
Equipment	$ 199,538	$ -	$ -	$ 199,538
Less accumulated depreciation for equipment	196,133	2,031	-	198,164
Total Business-Type Activity, Capital Assets - Net	$ 3,405	$ (2,031)	$ -	$ 1,374

Note 6. Capital Assets (Continued)

Depreciation expense was charged to the functions/programs of the District as follows:

	Amount
Governmental Activities:	
Instruction	$ 1,112,876
Instructional student support	125,813
Administrative and financial support	140,401
Operation and maintenance of plant services	82,134
Pupil transportation	897
Student activities	31,792
Total Governmental Activities	1,493,913
Business-Type Activity:	
Food Service	2,031
Total Primary Government	$ 1,495,944

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2015, and transactions during the year then ended follows:

	July 1, 2014 (restated)	Increases	Decreases	June 30, 2015	Due within one year
General Long-Term Obligations					
General Obligation Bonds					
G.O. Notes 2008	$ 14,357,000	$ -	$ 169,000	$ 14,188,000	$ 173,000
G.O. Bond 2010	18,065,000	-	685,000	17,380,000	705,000
G.O. Bond 2011	3,145,000	-	1,540,000	1,605,000	1,605,000
G.O. Bond 2011A	9,935,000	-	190,000	9,745,000	190,000
G.O. Bond 2013	4,480,000	-	790,000	3,690,000	810,000
Bond premium (discounts), net of amortization	150,597	12,409	86,349	76,657	-
Total bonds payable	50,132,597	12,409	3,460,349	46,684,657	3,483,000
Net pension liability (see Note 9)	67,054,000	194,000	-	67,248,000	-
Compensated absences	1,224,195	130,238	126,550	1,227,883	16,389
Other post-employment benefit obligation	625,036	160,536	-	785,572	-
Total General Long-Term Obligations	$ 119,035,828	$ 497,183	$ 3,586,899	$ 115,946,112	$ 3,499,389

General Obligation Notes - Series of 2008 - On December 30, 2008, the District issued General Obligation Notes - 2008 Series A-1 and A-2 in the total principal amount of $15,000,000. The proceeds of the notes were used to finance capital additions and renovations to elementary school buildings, and to pay for the costs of issuance. Interest is payable monthly with a maximum interest rate of 15.00%. At settlement, the District exercised a fixed-rate conversion feature for $7,500,000 of these variable rate notes to a fixed rate of 3.245%. Principal payments are paid annually through 2025 and range between $5,000 and $3,016,000. At June 30, 2015, the fixed and variable portions of this debt were $7,092,000 and $7,096,000, respectively.

The notes bear interest at a variable rate which is determined weekly by the remarketing agent.

General Obligation Bonds - Series of 2010 - On September 1, 2010, the District issued General Obligation Bonds - Series of 2010 in the principal amount of $20,000,000. The bonds bear annual interest rates ranging from 2.00% to 3.625%. Interest is payable semiannually, and the bonds mature serially in amounts ranging from $630,000 to $4,520,000 through 2027.

General Obligation Bonds - Series of 2011 - On April 1, 2011, the District issued General Obligation Bonds - Series of 2011 in the principal amount of $7,535,000. The proceeds of the bonds are being used to refund the General Obligation Bonds - Series of 2001, and to pay for the costs of issuance. The bonds bear a fixed interest rate of 6.00%, payable semi-annually. The bonds mature serially in amounts ranging from $1,645,000 to $1,795,000 through 2016.

Note 7. Long-Term Obligations (Continued)

General Obligation Bonds - Series A of 2011 - On September 15, 2011, the District issued General Obligation Bonds - Series A of 2011 in the principal amount of $9,995,000. The proceeds of the bonds are being used to refund the General Obligation Bonds - Series of 2006, and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 1.00% to 3.00%, payable semi-annually. The bonds mature serially in amounts ranging from $5,000 to $2,630,000 through 2021.

General Obligation Bonds - Series of 2013 - On February 26, 2013, the District issued General Obligation Bonds - Series of 2013 in the principal amount of $5,480,000. The proceeds of the bonds are being used to refund the General Obligation Bonds - Series of 2003, and to pay for the costs of issuance. The bonds bear annual interest rates ranging from 0.35% to 3.00%, payable annually. The bonds mature serially in amounts ranging from $215,000 to $2,165,000 through 2018.

The District is in compliance with all debt covenants of the outstanding issues. Those covenants include the following: the District shall include the annual debt service in its budget for the fiscal year; shall appropriate those amounts from its general revenues; and shall punctually cause the payment of the principal and interest of all obligations.

The future, debt-service requirements of the fixed and variable general obligation long-term debt issues are as follows, assuming current rates:

Years	Principal	Interest	Total
2015-2016	$ 3,483,000	$ 1,298,946	$ 4,781,946
2016-2017	3,614,000	1,189,909	4,803,909
2017-2018	3,711,000	1,112,597	4,823,597
2018-2019	3,823,000	1,009,651	4,832,651
2019-2020	3,933,000	911,630	4,844,630
2021-2025	19,159,000	3,006,965	22,165,965
2026-2027	8,885,000	482,658	9,367,658
	$ 46,608,000	$ 9,012,356	$ 55,620,356

All debt-service payments for general obligation notes and bonds are funded by the General Fund. As required by the Pennsylvania Department of Education Financial Accounting and Reporting Manual, debt-issuance costs are reported on the Statement of Revenues, Expenditures and Changes in Fund Balances as Support Services Expenditures.

The District has no outstanding, in-substance defeased debt.

Note 7. Long-Term Obligations (Continued)

Swap Payments and Associated Debt

As of June 30, 2015, debt-service requirements of the fixed-rate debt and net interest-rate swap payments, assuming current interest rates remain constant, were as follows.

	Variable Rate Bonds			
Year	Principal	Interest	Swaps, net	Total
2015-2016	$ 1,000,000	$ 362,281	$ (213,400)	$ 1,148,881
2016-2017	2,360,000	342,281	(213,400)	2,488,881
2017-2018	2,415,000	292,931	(213,400)	2,494,531
2018-2019	2,485,000	220,481	(213,400)	2,492,081
2019-2020	2,545,000	155,250	(213,400)	2,486,850
2020-2021	2,630,000	78,900	(213,400)	2,495,500
	$ 13,435,000	$ 1,452,124	$ (1,280,400)	$ 13,606,724

The fair value of the interest-rate swap of $1,195,345 is presented in the Statement of Net Position.

Compensated Absences

Sickness - Under the terms of the District's employment policies, employees are granted sick days per school year, and any unused sick days are permitted to be carried over to future years. Upon retirement from the District, employees are reimbursed for accumulated sick days equal to the number of unused days multiplied by a pre-determined amount per the employment contract.

Other Post-Employment Benefit Obligation: As described in Note 10, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees Retirement System, a governmental cost-sharing, multiple-employer, defined-benefit pension plan. The District provides access to retiree health, and dental-care benefits, including prescription-drug coverage, to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

The total liability for sick leave, retirement incentive, and additional retirees' post-employment health insurance payments at June 30, 2015, has been reflected in the Statement of Net Position. All compensated absences are funded by the General Fund.

Note 8. Lincoln Benefit Trust

The School District is exposed to risk of loss related to employee health care. In July 1989, the District joined the Lincoln Benefit Trust, a public-entity risk pool currently operating as a claim-servicing pool for member school districts and the intermediate unit. The School District is liable for all claims up to $125,000. Claims incurred for $125,001-$300,000 are paid from a stop-loss pool fund on a shared-risk basis. Claims incurred for $300,001-$500,000 are paid from a stop-loss insurance policy purchased by the Trust. Stop-loss insurance is purchased through an insurance carrier for $500,000 and above per individual. The School District pays all of the premiums from the General Fund. At June 30, 2015, the District's funding for claims exceeded the payments to date; accordingly, the District has a prepaid balance of $3,646,907 with Lincoln Benefit Trust, which is recorded in the General Fund as an asset. The District has nonspendable fund balance for this amount.

The following is a summary of the financial information of the Lincoln Benefit Trust as of June 30, 2015:

	Amount
Net position available for benefits	$ 86,013,863
Accumulated plan benefits	$ 7,222,000

The accumulated plan benefits represent benefit claims payable and estimated claims incurred, but not reported to the Plan Administrator at June 30, 2015. It is reasonably possible that actual benefit claims for all participating members will differ from the estimated amount, and the difference may be material to the District's financial position.

Note 9. Defined-Benefit Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Note 9. Defined-Benefit Pension Plan (Continued)

Benefits Provided (Continued)

Benefits are generally equal to 2% 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% or 2.5%, depending on 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.

Contribution Rates

Member Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the members' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the members' qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and the Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Note 9. Defined-Benefit Pension Plan (Continued)

Contribution Rates (Continued)

Employer Contributions:

Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2015, the rate of an employer's contribution was 21.40% of covered payroll. The 21.40% rate is composed of a pension contribution rate of 20.50% percent for pension benefits and 0.90% for healthcare-insurance premium assistance.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one half of the District's rate. The District's contributions to the Plan for the years ended June 30, 2015, 2014, and 2013, were $4,650,018, $3,314,767, and $2,265,369 respectively, and are equal to the required contributions for said years. For the year ended June 30, 2015, the District recognized retirement subsidy revenue from the Commonwealth in the amount of $2,695,293.

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

At June 30, 2015, the District reported a liability of $67,248,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the new pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was .1699 percent, which was a decrease of .0061% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $6,393,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental funds and propreitary fund:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	4,807,000
Changes in proportions	2,012,000	-
Difference between employer contributions and proportionate share of total contributions	81,000	-
Contributions subsequent to the measurement date	4,490,000	-
	$ 6,583,000	$ 4,807,000

Note 9. Defined-Benefit Pension Plan (Continued)

$4,490,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30:		Total
2016	$	(698,000)
2017		(698,000)
2018		(698,000)
2019		(698,000)
2020		78,000
	$	(2,714,000)

Actuarial Assumptions

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

- Actuarial Cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00% real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were 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.

Note 9. Defined-Benefit Pension Plan (Continued)

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

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%	90.0%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	100.0%	

The above table 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.

Note 9. Defined-Benefit Pension Plan (Continued)

Sensitivity of the District's Proportionate Share of the New 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 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$ 83,882,000	$ 67,248,000	$ 53,046,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2015, the District has payables to the PSERS pension plan of $1,669,298. This total is composed of staff payroll accruals and the quarterly PSERS payment amount for retirement contributions in the second quarter of 2015.

Prior Period Adjustment - GASB No. 68 Implementation

Implementation of GASB No. 68 requires the District to recognize the obligation and deferred inflows and outflows resulting from the proportionate share of the PSERS net pension liability as of June 30, 2013. This resulted in a decrease in net position in the governmental funds and proprietary funds of $63,569,000 as of July 1, 2014.

Note 10. Other Post-Employment Benefits

The District maintains a single-employer, post-employment, defined-benefit healthcare plan. The plan description and funding policy for the District is summarized in the chart below:

GROUP	*ELIGIBILITY*	*COVERAGE AND PREMIUM SHARING*	*DURATION*
I. ADMINISTRATORS	Retire through PSERS	**Coverage**: Medical, Prescription Drug, and Dental **Premium Sharing:** If the member reaches 30 total years of PSERS service and 5 years of service with the District, the member will be allowed to continue medical, prescription drug, and dental coverage for his/herself by paying the same amount as stated for an active administrator in the current contract at time of retirement for up to 7 years. This premium share by the member is currently 8.25%. The member must pay the full premium for vision coverage. If the member is under 65 and has exhausted the years of paid benefits, the member may continue coverage by paying the full premium as determined for the purpose of COBRA. Spouses may continue benefits by paying the full premium. If the member does not reach 30 years of PSERS and 5 years with the District, the member may continue benefits by paying the full premium as determined for the purpose of COBRA. Spouses may also continue benefits by paying the full premium. **Dependents:** Spouses included.	Member and spouse may continue benefits until member reaches Medicare age. Spousal benefits cease at Medicare age if the spouse reaches Medicare age before the member.
II. ALL OTHER EMPLOYEES	Same as I.	Act 110/43	Same as I.

Notes: Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Retirement:
1) For individuals who were members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 62 with 5 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he (or she) is eligible for either: 1) PSERS early retirement while under 65 with 10 years of PSERS Service or 2) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Note 10. Other Post-Employment Benefits (Continued)

Funding Policy

The contribution requirements of plan members are established by contractual obligations and may be amended by the Board of School Directors. Required contributions are based on projected pay-as-you-go financing requirements. Plan members receiving benefits contributed through their required monthly contributions as described above. Costs related to the funding of the District's OPEB obligation are budgeted and paid for through the District's General Fund.

Funding Progress

For the year ended June 30, 2015, the District has estimated the cost (annual expense) of providing retiree health and dental care benefits through an actuarial valuation as of January 1, 2014. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which 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 over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	$ 324,201
Interest on Net OPEB Obligation	28,126
Less adjustment to the annual required contribution	(38,371)
Annual OPEB cost	313,956
Amounts contributed	
Payments of current premiums and claims	(153,420)
Increase in net OPEB obligation	160,536
OPEB obligation - beginning of the year	625,036
OPEB obligation - end of year	$ 785,572

The schedule of funding progress immediately following the notes to the financial statements presents information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Note 10. Other Post-Employment Benefits (Continued)

Annual OBEB Cost

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 267,282	64.72%	$ 519,992
June 30, 2014	265,736	60.47%	625,037
June 30, 2015	313,956	48.87%	785,572

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare-cost trend. Amounts are 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.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with the long-term perspectives of the calculations.

In the January 1, 2014, actuarial valuation, the Entry-Age Normal cost method was used. The actuarial assumptions include an annual healthcare-cost trend rate of 6.50% initially, decreasing by 0.5% per year to 5.50% in 2016. Both rates included a 4.50% inflation assumption. The UAAL is being amortized over a 30-year-open period as a level-dollar amount.

A separate, audited, GAAP-basis, post-employment benefit plan report is not issued.

All other post-employment benefit obligations are funded by the General Fund.

Note 11. Derivative Financial Instruments

Objective of the Interest-Rate Swaps

As a means to manage interest-rate exposure, the District entered into a pay-variable, receive-fixed interest-rate swap in connection with its Series of 2006, 2011A, and 2013 General Obligation Bonds. The swap contracts remained in effect after the partial refunding of the 2003 bonds. The intentions of the swaps were to effectively change the District's fixed-interest rates on the bonds to lower, synthetic-variable rates.

Terms, Fair Value and Credit Risk

The terms, fair values, and credit risks of the outstanding swaps as of June 30, 2015, were as follows. The notional amounts of the swaps aligned with percentages of the principal amounts of the original associated debt. The District's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

	Notional Amounts	Effective Date	Fixed Rate Received	Variable Rate Paid	Fair Values	Swap Termination Date
GO Bonds Series of 2011A	11,600,000	4/15/2004	N/A	N/A	1,195,345	4/1/2021

During the year ended June 30, 2012, the District and the Swap Counterparty entered into a swap-modification agreement that results in annual payments being made to the District through 2021. This payment will be made without regard to future changes in interest rates. The Swap Fair Values have been determined based on the present values of the future payments to be made to the District.

For the year ended June 30, 2015, the derivative instruments are considered to be investment derivatives, with their fair values recorded as noncurrent liabilities on the Statement of Net Position, and the changes in their fair values recognized against investment income in the Statement of Activities. During the year ended June 30, 2015, $185,778 was recorded as income in the Statement of Activities to reflect the changes in fair values of the derivatives from July 1, 2014.

Fair Values

The fair values were estimated using the discounted-cash flow method. This method calculates the future net settlement payments required by the swaps. These payments are then discounted for the dates of each future net settlement on the swaps.

Note 11. Derivative Financial Instruments (Continued)

Credit Risk

As of June 30, 2015, the District is exposed to credit risk in the amount of the derivatives' fair values. The swap agreements contain a collateral agreement with the counterparty. The swaps are insured transactions by Financial Security Assurance, Inc.

The District has executed the swap transactions with a single counterparty. That counterparty is rated AA- by Standard & Poor's Rating Service.

Basis Risk

The swap exposes the District to basis risk should the relationship between variable rates change the synthetic rate on the bonds. Under the swaps, the School District receives a fixed swap rate (3.8639%) in exchange for a floating rate (the BMA Municipal Swap Index). If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Tax Risk

Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the District's underlying variable-rate bonds and the rate received on the swaps caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds (e.g., a tax cut that increases the ratio of tax-exempt to taxable yields). The District paying the BMA Municipal Swap Index, a tax-exempt rate, on the notional amount would experience a shortfall relative to the rate received on its bonds if marginal income-tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic-fixed rate debt.

Termination Risk

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as rating downgrades, failure to pay, and bankruptcy. The District or the counterparty may terminate the swaps if the other party fails to perform under the terms of the contracts. If the swaps are terminated, the fixed-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps have negative fair values, the District would be liable to the counterparty for a payment equal to the swaps' fair values.

Note 12. Fund Balance Designations

The District has designated certain portions of the General and Capital Projects Fund balances as follows:

	General Fund	Capital Projects Fund
Nonspendable, reported in:		
General Fund-Prepaids	$ 3,696,985	$ -
Restricted for, reported in:		
Capital Projects	-	6,998,739
Committed to, reported in:		
Retirement	3,841,671	-
Technology	500,000	-
Medical costs	907,802	-
Debt principal	2,009,333	-
Assigned, reported in:		
Capital Reserves	4,324,000	-
Unassigned, reported in:		
General Fund	4,089,313	-
	$ 19,369,104	$ 6,998,739

Note 13. Commitments and Contingencies

General Obligation Notes - 2008 Series Interest Rate Management Plan

On December 30, 2008, the District issued General Obligation Notes to the Delaware Valley Regional Financing Authority (Del Val) in the amount of $15,000,000 for the purpose of additions and renovations to elementary school buildings and the payment of the costs of issuance of the 2008 notes. Del Val, as a financing authority, issues local government revenue bonds to provide loans for local government units.

Del Val enters into interest-rate swaps in order to reduce the costs of the participants in the Loan Program and to enhance the ability of those in the Loan Program to manage their interest-rate risk. These swaps carry the basic risks generally consistent with those described in Note 11, including basis risk, termination risk, credit risk, and market-access risk. As a participant in the Loan Program, the District could be adversely affected by the implications of Del Val's compliance with the terms of these swap agreements through additional costs which are not estimable at this time.

Operating Leases

The District maintains copying machines under non-cancelable, long-term, operating leases. Future minimum rental payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2014, are presented in the succeeding table. Total rental expense realized under these leases was $162,746 for the year ended June 30, 2015, which expense was funded through the General Fund.

Year	Amount
2015-2016	$ 161,778
2016-2017	26,963
	$ 188,741

Capital Projects

As of June 30, 2015, the District has completed all projects in progress during the year, and no contracts remain in progress at June 30, 2015.

Grant Programs

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

Note 14. Joint Ventures

York County School of Technology

The District is one of fourteen member school districts participating in the operation of the York County School of Technology (YCST). YCST is operated, administered and managed by a joint-operating committee consisting of board members from the "fourteen member school districts." Member districts are responsible for funding the major portion of YCST's operating budget. The District's share of annual operating costs for YCST is based on the number of students attending the school from the District, and is reflected as instructional expenditures of the District's General Fund. For the year ended June 30, 2015, the District paid $1,211,156 for its estimated share of the operating budget.

The York County School of Technology formed The York County School of Technology Authority (the Authority) on March 29, 1967, as a financing medium for the construction, improvement and maintenance of YCST. The Authority has issued Lease Revenue Bonds, Series of 2003 for the purpose of the funding of the renovations, alterations and additions to the school facilities constructed in previous years, and to refund the Guaranteed Revenue Note, Series of 2002. The Authority will lease the school facilities to YCST under a lease agreement dated May 15, 2003, under which YCST will operate and maintain the school facilities and will be obligated to pay the lease rentals to the Authority in fixed amounts sufficient to pay the principal and interest on the Lease Revenue Bonds, Series of 2003. The District's obligation for lease payments is calculated annually based on its pro-rata share of assessed market value of real estate located within the fourteen member districts. Pursuant to the Restated Articles of Agreement for the formation of the joint venture, withdrawal by a member district does not relieve the district of its obligations incurred while a member district, such as the required payment of funds for the lease rentals of YCST. As of June 30, 2015, the District's pro-rata share represented 5.69% of total assessed value, which resulted in a lease rental payment to YCST in the amount of $364,719, which payment is included in the instructional expenditures of the District's General Fund.

The annual requirements to amortize the Lease Revenue Bonds, Series 2003 recorded on the books of the York County School of Technology Authority, and upon which the annual lease payments of YCST are based, are as follows:

Year Ending September 30	Principal	Interest	Total
2015	$ 2,540,000	$ 1,163,700	$ 3,703,700
2016	2,670,000	1,029,250	3,699,250
2017	2,805,000	888,175	3,693,175
2018	2,945,000	759,150	3,704,150
2019	3,070,000	638,850	3,708,850
2020-2023	13,555,000	1,217,825	14,772,825
Total	27,585,000	$ 5,696,950	$ 33,281,950
Less: due within one year	2,540,000		
Total long-term outstanding	$ 25,045,000		

Note 14. Joint Ventures (Continued)

As of the report date, audited financial statements for the York County School of Technology for the year ended June 30, 2015, are not yet available. The following is condensed financial information for the YCST, excerpted from the June 30, 2014, audited financial statements, available for inspection at the School District's Business Office:

		Amount
Total assets	$	6,246,111
Total liabilities		3,730,315
Net position		
Investments in capital assets, net of related debt		2,798,558
Unrestricted		(282,762)
Total net position	$	2,515,796
Total revenues (including $17,277,972 from member districts)	$	24,934,731
Total expenses		24,690,432
Change in net position	$	244,299

York/LIU Joint Authority

The District is one of thirteen York County School Districts which are included within the Lincoln Intermediate Unit (LIU), which provides classes and other programs to students within each of the member school districts. In 2005, the LIU determined that it needed a facility in York County to house classes and other programs which it provides to York County students. Under the School Code, an intermediate unit is permitted "to lease land and buildings and to own office and warehouse facilities." This provision of the School Code prohibits an intermediate unit from owning buildings which are used for classrooms. Therefore, although an intermediate unit may lease classroom space, an intermediate unit may not own property which is used for classrooms.

In order to obtain the facilities which the LIU needs in York County, the LIU entered into a lease with Central York School District for the Old Central York High School on August 15, 2005. An option of the lease agreement stipulated that the LIU may purchase the property for $2,500,000 before the two-year lease expired on August 31, 2007. As noted above, according to School Code, the LIU may lease the property, but not purchase it. As a result, on March 3, 2006, the York/LIU Joint Authority (the Authority) was created with the purpose of purchasing the property and leasing it to the LIU. The LIU and the school districts which formed the Authority are not liable or responsible for the debts or obligations of the Authority.

The Authority will lease the above mentioned property to the LIU for a monthly rental fee which is sufficient to provide the Authority with funds to pay (a) all interest and other payments which are due with respect to the debt incurred by the Authority and (b) the other costs and expenses which the Authority will incur. Total liabilities include a Construction Loan Note - Series of 2009 with a balance of $4,038,183 as of June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

DOVER AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
OTHER POST-EMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2015

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)
1/1/2014	$ -	$ 2,599,502	$ 2,599,502	$ -	$ 20,435,920	12.72%
1/1/2012	$ -	$ 2,166,392	$ 2,166,392	$ -	$ 19,929,232	10.87%
1/1/2010	$ -	$ 2,171,049	$ 2,171,049	$ -	$ 19,466,013	11.15%

DOVER AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30, 2015

District's proportion of the net pension liability	$ 67,248,000
District's proportionate share of the net pension liability	0.1699%
District's covered-employee payroll	$ 21,681,870
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.16%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

DOVER AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Year Ended June 30, 2015

Contractually required contribution	$ 4,461,057
Contributions in relation to the contractually required contribution	(4,461,057)
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 22,161,245
Contributions as a percentage of covered-employee payroll	20.13%

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of School Directors
Dover Area School District
Dover, 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 activity, each major fund, and the aggregate remaining fund information of Dover Area School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Dover Area School District’s basic financial statements, and have issued our report thereon dated February 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dover Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dover Area School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Dover Area School District’s internal control.

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

Our consideration of internal control over financial reporting 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 Dover Area 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.

Boyer & Ritter

Camp Hill, Pennsylvania
February 11, 2016

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

Board of School Directors
Dover Area School District
Dover, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Dover Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dover Area School District's major Federal programs for the year ended June 30, 2015. Dover Area School District's major Federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe 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 the District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Dover Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dover Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dover Area School District's internal control over compliance.

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

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

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

Boyer & Ritter

Camp Hill, Pennsylvania
February 11, 2016

DOVER AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ___ Yes _X_ None Reported

Noncompliance material to financial statements noted? ___Yes _X_ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ____ Yes _X_ No
- Significant deficiency(ies) identified that are not considered to be a material weakness (es)? ____Yes _X_None Reported

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
	Special Education Cluster
84.027	Special Education - Grants to State
84.173	Special Education - Preschool Grants
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - Food Donations

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

Auditee qualified as low-risk auditee? ____ Yes _X_ No

Section II – Financial Statement Findings

Internal Control Findings

There were no findings relating to the financial-statement audit required to be reported.

Compliance Findings

There were no compliance findings relating to the financial-statement audit required to be reported.

Section III – Federal Award Findings and Questioned Costs

A. Compliance Findings

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

B. Internal Control Findings

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

DOVER AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

	Federal C.F.D.A. Number	Pass Through Grantor's Number	Grant Period	Restated Program or Annual Award	Total Received (Refunded) in Fiscal Year
U.S. Department of Education					
Passed through PA Dept. of Education					
Title I - Grants to LEA	84.010	013-150120	14-15	$ 423,338	$ 360,290
Title I - Grants to LEA	84.010	013-140120	13-14	$ 346,813	(1,288)
Title I - Reward Grant	84.010	077-150120	14-15	50,000	21,429
					380,431
Title II - Improving Teacher Quality	84.367	020-140120	13-14	93,997	60,363
Title II - Improving Teacher Quality	84.367	020-150120	14-15	94,127	73,966
					134,329
Passed through Lincoln Intermediate Unit					
Special Education Cluster					
Special Education - Grants to State - IDEA Part B	84.027	N/A	14-15	526,136	526,136
Special Education - Preschool Grants	84.173	N/A	14-15	10,527	10,527
Total Special Education Cluster					536,663
Race to the Top - Phase 3 (RTT3)	84.413	N/A	13-14	8,885	8,885
Total U.S. Department of Education					1,060,308
U.S. Department of Agriculture					
Passed through PA Dept. of Education					
National School Lunch Program *	10.555	N/A	13-14	N/A	96,295
National School Lunch Program *	10.555	N/A	14-15	N/A	598,653
					694,948
School Breakfast Program *	10.553	N/A	13-14	N/A	16,590
School Breakfast Program *	10.553	N/A	14-15	N/A	98,222
					114,812
Total passed through the PA Dept. of Education					809,760
Passed through PA Dept. of Agriculture					
National School Lunch Program - Food Donation * (a)	10.555	N/A	14-15	N/A	78,936
Total U.S. Dept. of Agriculture					888,696
Total Expenditures of Federal Awards					$ 1,949,004

* Programs in the Child Nutrition Cluster

National School Lunch Program	$ 608,608
School Breakfast Program	99,900
National School Lunch Program - Food Donation	78,936
	$ 787,444

Legends:
(a) Donated commodities value at local market values

See Notes to Schedule of Expenditures of Federal Awards.

Restated Accrued (Deferred) Revenue at 7/1/2014	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at 6/30/2015
$ -	$ 423,338	$ 423,338	$ 63,048
(1,288)	-	-	-
-	40,254	40,254	18,825
(1,288)	463,592	463,592	81,873
18,128	42,235	42,235	-
-	81,034	81,034	7,068
18,128	123,269	123,269	7,068
-	526,136	526,136	-
-	10,527	10,527	-
-	536,663	536,663	-
8,885	-	-	-
25,725	1,123,524	1,123,524	88,941
96,295	-	-	-
-	608,608	608,608	9,955
96,295	608,608	608,608	9,955
16,590	-	-	-
-	99,900	99,900	1,678
16,590	99,900	99,900	1,678
112,885	708,508	708,508	11,633
-	78,936	78,936	-
112,885	787,444	787,444	11,633
$ 138,610	$ 1,910,968	$ 1,910,968	$ 100,574

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of Dover Area School District under programs of the Federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Dover Area School District, it is not intended to and does not present the net position, changes in net position or cash flows of Dover Area School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and 2 CFR 200 Subpart E Cost Principles, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

DOVER AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2015

There were no prior year's audit findings