

**Deer Lakes School District
Financial Statements
June 30, 2014**

**Deer Lakes School District
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Independent Auditor's Report

Members of the Board
Deer Lakes School District
Cheswick, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deer Lakes School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Report on the Financial Statements (Cont'd)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deer Lakes School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements in the year ended June 30, 2014, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and post-employment benefit information as shown 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Deer Lakes School District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

our opinion, the schedule of expenditures of federal awards 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 November 26, 2014, on our consideration of Deer Lakes 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 Deer Lakes School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood, LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
November 26, 2014

Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014

The discussion and analysis of Deer Lakes School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The School District transferred \$57,000 of the general fund balance to the food service fund during the 2013/2014 year to help fund current year food service operations. The June 30, 2014 general fund balance was \$6,538,899.

Student population remained relatively constant but cost-cutting measures held the increase in operating costs to \$292,180, or less than 1.0%.

Real estate tax assessments have shown slow but steady upward growth. The real estate tax millage rate was reduced to 21.953 mills in the current year because of the county-wide reassessment. Real estate tax collections were less than the budgeted amount by \$18,877.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Statement. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to these statements. These statements are organized so that the reader can understand Deer Lakes School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Using the Annual Financial Report (Cont'd)

The remaining statements are government-wide financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental fund statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

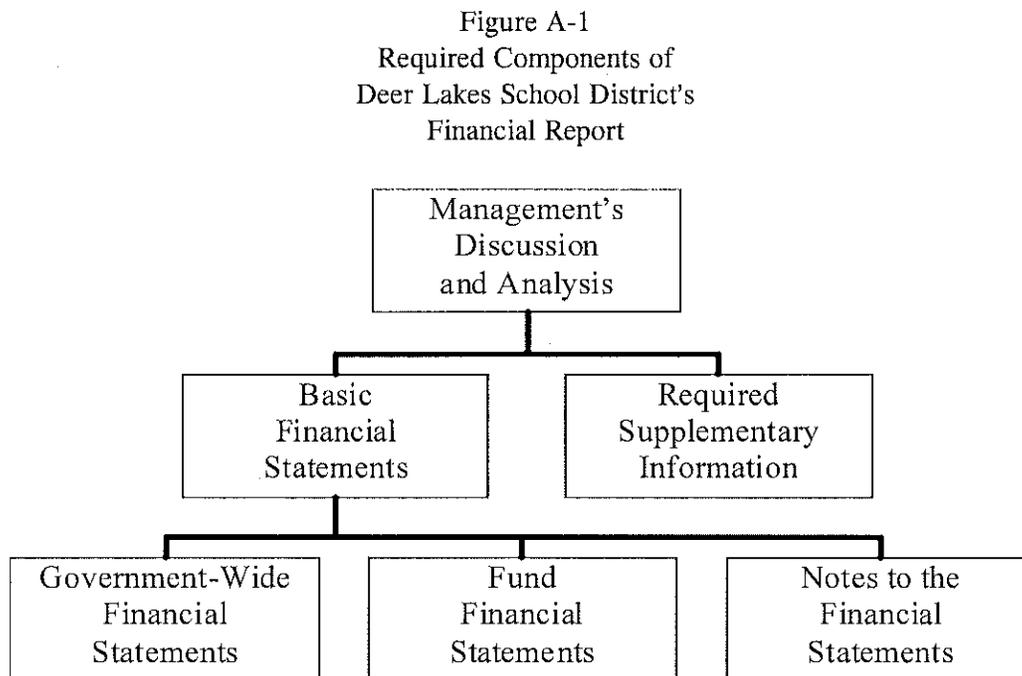


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Using the Annual Financial Report (Cont'd)

Figure A-2
Major Features of Deer Lakes School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or position.

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

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship and agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was \$16,910,851 at June 30, 2014 and \$16,120,546 at June 30, 2013.

Table A-1
Years Ended June 30, 2014 and 2013
Net Position

	2014			2013 (Restated)		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$14,535,879	\$(41,574)	\$14,494,305	\$12,753,403	\$(13,765)	\$12,739,638
Capital Assets	<u>64,096,863</u>	<u>30,193</u>	<u>64,127,056</u>	<u>65,828,439</u>	<u>41,130</u>	<u>65,869,569</u>
Total Assets	<u>78,632,742</u>	<u>(11,381)</u>	<u>78,621,361</u>	<u>78,581,842</u>	<u>27,365</u>	<u>78,609,207</u>
Deferred Outflows of Resources	<u>1,378,826</u>	<u>-</u>	<u>1,378,826</u>	<u>1,496,037</u>	<u>-</u>	<u>1,496,037</u>
Current and Other Liabilities	3,655,050	24,882	3,679,932	3,736,779	24,865	3,761,644
Noncurrent Liabilities						
Due Within One Year	1,677,546	-	1,677,546	991,035	-	991,035
Due in More Than One Year	<u>57,731,858</u>	<u>-</u>	<u>57,731,858</u>	<u>59,232,019</u>	<u>-</u>	<u>59,232,019</u>
Total Liabilities	<u>63,064,454</u>	<u>24,882</u>	<u>63,089,336</u>	<u>63,959,833</u>	<u>24,865</u>	<u>63,984,698</u>
Net Position						
Net Investment in Capital Assets	8,505,909	30,193	8,536,102	9,514,974	41,130	9,556,104
Unrestricted	<u>8,441,205</u>	<u>(66,456)</u>	<u>8,374,749</u>	<u>6,603,072</u>	<u>(38,630)</u>	<u>6,564,442</u>
Total Net Position	<u>\$16,947,114</u>	<u>\$(36,263)</u>	<u>\$16,910,851</u>	<u>\$16,118,046</u>	<u>\$ 2,500</u>	<u>\$16,120,546</u>

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Financial Analysis of the School District as a Whole (Cont'd)

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund the current capital projects.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the basic education subsidy provided by the state of Pennsylvania.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Years Ended June 30, 2014 and 2013
Changes in Net Position

	2014			2013 (Restated)		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 668,014	\$ 668,014	\$ -	\$ 643,691	\$ 643,691
Operating Grants and Contribs.	5,758,185	511,483	6,269,668	5,399,898	442,372	5,842,270
Capital Grants and Contribs.	478,161	-	478,161	411,045	-	411,045
General Revenues						
Property Taxes	17,686,276	-	17,686,276	17,949,341	-	17,949,341
Other Taxes	2,821,322	-	2,821,322	1,816,422	-	1,816,422
Grants, Subs. and Contribs.						
Unrestricted	5,845,407	-	5,845,407	5,651,215	-	5,651,215
Investment Earnings	8,076	-	8,076	13,844	-	13,844
Other	68,922	-	68,922	78,189	-	78,189
Transfers	<u>(57,000)</u>	<u>57,000</u>	<u>-</u>	<u>(189,886)</u>	<u>189,886</u>	<u>-</u>
Total Revenues	<u>32,609,349</u>	<u>1,236,497</u>	<u>33,845,846</u>	<u>31,130,068</u>	<u>1,275,949</u>	<u>32,406,017</u>
Expenses						
Instruction	17,139,076	-	17,139,076	17,499,552	-	17,499,552
Instructional Student Support	1,867,217	-	1,867,217	1,991,959	-	1,991,959
Admin. and Financial Support Svcs.	3,375,279	-	3,375,279	3,329,739	-	3,329,739
Operation and Maintenance of						
Plant Services	3,570,798	-	3,570,798	3,466,402	-	3,466,402
Pupil Transportation	2,846,796	-	2,846,796	2,773,777	-	2,773,777
Student Activities	578,877	-	578,877	558,463	-	558,463
Community Services	5,660	-	5,660	7,307	-	7,307

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2 (Cont'd)
Years Ended June 30, 2014 and 2013
Changes in Net Position

	2014			2013 (Restated)		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses (Cont'd)						
Interest on Long-Term Debt	\$ 2,396,578	\$ -	\$ 2,396,578	\$ 2,395,097	\$ -	\$ 2,395,097
Food Service	<u>-</u>	<u>1,275,260</u>	<u>1,275,260</u>	<u>-</u>	<u>1,207,052</u>	<u>1,207,052</u>
Total Expenses	<u>31,780,281</u>	<u>1,275,260</u>	<u>33,055,541</u>	<u>32,022,296</u>	<u>1,207,052</u>	<u>33,229,348</u>
Increase (Decrease) in Net Position	829,068	(38,763)	790,305	(892,228)	68,897	(823,331)
Beginning Net Position (Restated - See Note 2)	<u>16,118,046</u>	<u>2,500</u>	<u>16,120,546</u>	<u>17,010,274</u>	<u>(66,397)</u>	<u>16,943,877</u>
Ending Net Position	<u>\$16,947,114</u>	<u>\$ (36,263)</u>	<u>\$16,910,851</u>	<u>\$16,118,046</u>	<u>\$ 2,500</u>	<u>\$16,120,546</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, food service, student activities, community services, food service, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Years Ended June 30, 2014 and 2013
Governmental Activities

Functions/Programs	2014		2013 (Restated)	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$17,139,076	\$13,259,701	\$17,499,552	\$13,792,404
Instructional Student Support	1,867,217	1,414,123	1,991,959	1,606,945
Admin. and Fin. Support Svcs.	3,375,279	3,201,409	3,329,739	3,194,736

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-3 (Cont'd)
Years Ended June 30, 2014 and 2013
Governmental Activities

	2014		2013 (Restated)	
Functions/Programs (Cont'd)	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Operation and Maintenance of Plant Svcs.	\$ 3,570,798	\$ 3,418,398	\$ 3,466,402	\$ 3,343,829
Pupil Transportation	2,846,796	1,778,243	2,773,777	1,747,432
Student Activities	578,877	547,984	558,463	534,648
Community Services	5,660	5,660	7,307	7,307
Interest on Long-Term Debt	<u>2,396,578</u>	<u>1,918,417</u>	<u>2,395,097</u>	<u>1,984,052</u>
Total Governmental Activities	<u>\$31,780,281</u>	25,543,935	<u>\$32,022,296</u>	26,211,353
Less:				
Unrestricted Grants, Subsidies		<u>(5,845,407)</u>		<u>(5,651,215)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$19,698,528</u>		<u>\$20,560,138</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4
Years Ended June 30, 2014 and 2013
Business-Type Activities

	2014		2013	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,275,260</u>	\$ 95,763	<u>\$1,207,052</u>	\$ 120,989
Less:				
Transfers		<u>(57,000)</u>		<u>(189,886)</u>
Net Cost of Operations		<u>\$ 38,763</u>		<u>\$ (68,897)</u>

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Financial Analysis of the School District as a Whole (Cont'd)

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2014, the School District's governmental funds reported a combined fund balance of \$7,366,021 which is an increase of \$1,557,065. The primary component of this increase was across-the-board reductions of expenditures.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. This schedule can be found in the required supplementary information section of the annual audit.

The School District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

During the year ended June 30, 2014, actual revenues were greater than budgeted revenues by \$210,714 and actual expenditures were less than budgeted in the amount of \$1,162,293.

Major Financial Issues

In previous years, the Board approved a Tax Increment Financing (TIF) program for the Mills Corporation to construct a mall in Frazer Township. The TIF redirects 80% of the School District real estate taxes on improvements in the mall zone to an authority to be used for infrastructure. Allegheny County and Frazer Township are also participating in the program. The mall is a major addition of commercial tax base to a school district that is mostly residential property. The mall opened in July 2005 and will have an impact on school tax collections in the future.

Economic Factors and Next Year's Budgets and Rates

The general fund revenue budget for the 2014/2015 year is \$32,888,615 which is \$785,117 more than the 2013/2014 budget. This represents a 2.45% increase in budgeted revenues. The School District real estate taxes stayed constant at 21.953 mills.

**Deer Lakes School District
Management's Discussion and Analysis
June 30, 2014**

Economic Factors and Next Year's Budgets and Rates (Cont'd)

The expenditure budget for the 2014/2015 year increased \$785,117 to \$32,888,615. Staff changes, healthcare and other payroll related costs, as well as changes in debt services costs, make up this increase.

Labor Relations

The School District has a contract with its secretarial staff and aides' union which will expire on June 30, 2015. The bargaining agreement with the teachers will expire June 30, 2014. The bargaining agreement for the custodial/maintenance, cafeteria workers and bus drivers expired June 30, 2014. Wage increases for all employee groups averaged 4.5% for the current year.

Contacting the School District Financial Management

The mission of Deer Lakes School District is to utilize a unique K-12 educational complex by providing all students the opportunity to realize their maximum academic potential in a rapidly changing world. The emphasis is on academic achievement, without neglecting character building and sports activities vital for encouraging all youngsters to achieve their best and become active participants in society. The School District is committed to pursuing the latest in technology to prepare its students for the world of tomorrow through skills acquired today.

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional information, please contact Dennis Thimons, Business Manager at 724-265-5300, ext. 216.

**Deer Lakes School District
Statement of Net Position
June 30, 2014**

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 8,203,260	\$ 24,355	\$ 8,227,615
Taxes Receivable, Net	3,374,150	-	3,374,150
Internal Balances	82,481	(82,481)	-
Due from Other Governments	1,481,227	-	1,481,227
Other Receivables	312,837	4,270	317,107
Inventories	-	12,282	12,282
Prepaid Items	331,287	-	331,287
Other Current Assets	14,369	-	14,369
Long-Term Prepayments, Net of Amortization	736,268	-	736,268
Capital Assets not Being Depreciated			
Land	59,494	-	59,494
Capital Assets, Net of Accumulated Depreciation			
Building and Building Improvements	62,377,763	-	62,377,763
Furniture and Equipment	<u>1,659,606</u>	<u>30,193</u>	<u>1,689,799</u>
TOTAL ASSETS	<u>78,632,742</u>	<u>(11,381)</u>	<u>78,621,361</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	<u>1,378,826</u>	-	<u>1,378,826</u>
LIABILITIES			
Due to Other Governments	97,290	-	97,290
Accounts Payable	374,603	4,574	379,177
Accrued Salaries and Benefits	2,081,790	3,263	2,085,053
Payroll Deductions and Withholdings	252,696	-	252,696
Unearned Revenues	242,761	4,974	247,735
Other Current Liabilities	605,910	12,071	617,981
Noncurrent Liabilities			
Due Within One Year	1,677,546	-	1,677,546
Due in More Than One Year			
Notes Payable	816,677	-	816,677
Compensated Absences	421,875	-	421,875
Bonds Payable	55,337,023	-	55,337,023
Other Post-Employment Benefits	<u>1,156,283</u>	-	<u>1,156,283</u>
TOTAL LIABILITIES	<u>63,064,454</u>	<u>24,882</u>	<u>63,089,336</u>
NET POSITION			
Net Investment in Capital Assets	8,505,909	30,193	8,536,102
Unrestricted	<u>8,441,205</u>	<u>(66,456)</u>	<u>8,374,749</u>
TOTAL NET POSITION	<u>\$16,947,114</u>	<u>\$(36,263)</u>	<u>\$16,910,851</u>

See Accompanying Notes

**Deer Lakes School District
Statement of Activities
Year Ended June 30, 2014**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals
Governmental Activities							
Instruction	\$17,139,076	\$ -	\$3,879,375	\$ -	\$(13,259,701)	\$ -	\$(13,259,701)
Instructional Student Support	1,867,217	-	453,094	-	(1,414,123)	-	(1,414,123)
Administrative and Financial Support Services	3,375,279	-	173,870	-	(3,201,409)	-	(3,201,409)
Operation and Maintenance of Plant Services	3,570,798	-	152,400	-	(3,418,398)	-	(3,418,398)
Pupil Transportation	2,846,796	-	1,068,553	-	(1,778,243)	-	(1,778,243)
Student Activities	578,877	-	30,893	-	(547,984)	-	(547,984)
Community Services	5,660	-	-	-	(5,660)	-	(5,660)
Interest on Long-Term Debt	<u>2,396,578</u>	-	-	478,161	<u>(1,918,417)</u>	-	<u>(1,918,417)</u>
Total Governmental Activities	<u>31,780,281</u>	-	<u>5,758,185</u>	<u>478,161</u>	<u>(25,543,935)</u>	-	<u>(25,543,935)</u>
Business-Type Activities							
Food Service	<u>1,275,260</u>	<u>668,014</u>	<u>511,483</u>	-	-	<u>(95,763)</u>	<u>(95,763)</u>
Total Primary Government	<u>\$33,055,541</u>	<u>\$668,014</u>	<u>\$6,269,668</u>	<u>\$478,161</u>	<u>(25,543,935)</u>	<u>(95,763)</u>	<u>(25,639,698)</u>
General Revenues and Transfers							
Taxes							
Property Taxes, Levied for General Purposes, Net					17,686,276	-	17,686,276
Earned Income Taxes					1,681,347	-	1,681,347
Real Estate Transfer Taxes					163,955	-	163,955
Other Taxes, Levied for General Purposes, Net					976,020	-	976,020
Grants, Subsidies and Contributions not Restricted					5,845,407	-	5,845,407
Investment Earnings					8,076	-	8,076
Miscellaneous Income					68,922	-	68,922
Transfers					<u>(57,000)</u>	<u>57,000</u>	-
Total General Revenues and Transfers					<u>26,373,003</u>	<u>57,000</u>	<u>26,430,003</u>
Changes in Net Position					829,068	(38,763)	790,305
Net Position - July 1, 2013 (Restated - See Note 2)					<u>16,118,046</u>	<u>2,500</u>	<u>16,120,546</u>
Net Position - June 30, 2014					<u>\$16,947,114</u>	<u>\$(36,263)</u>	<u>\$16,910,851</u>

See Accompanying Notes

**Deer Lakes School District
Balance Sheet
Governmental Funds
June 30, 2014**

Exhibit 3

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,986,031	\$217,229	\$ 8,203,260
Taxes Receivable, Net	3,374,150	-	3,374,150
Due from Other Funds	107,293	634,705	741,998
Due from Other Governments	1,481,227	-	1,481,227
Other Receivables	312,837	-	312,837
Prepaid Items	331,287	-	331,287
Other Current Assets	<u>14,369</u>	<u>-</u>	<u>14,369</u>
TOTAL ASSETS	<u>\$13,607,194</u>	<u>\$851,934</u>	<u>\$14,459,128</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ 634,705	\$ 24,812	\$ 659,517
Due to Other Governments	97,290	-	97,290
Accounts Payable	374,603	-	374,603
Accrued Salaries and Benefits	2,081,790	-	2,081,790
Payroll Deductions and Withholdings	252,696	-	252,696
Unearned Revenues	242,761	-	242,761
Other Current Liabilities	<u>10,300</u>	<u>-</u>	<u>10,300</u>
Total Liabilities	<u>3,694,145</u>	<u>24,812</u>	<u>3,718,957</u>
Deferred Inflows of Resources			
Unavailable Revenues - Property Taxes	<u>3,374,150</u>	<u>-</u>	<u>3,374,150</u>
Fund Balances			
Nonspendable	331,287	-	331,287
Committed	-	827,122	827,122
Assigned	4,368,460	-	4,368,460
Unassigned	<u>1,839,152</u>	<u>-</u>	<u>1,839,152</u>
Total Fund Balances	<u>6,538,899</u>	<u>827,122</u>	<u>7,366,021</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$13,607,194</u>	<u>\$851,934</u>	<u>\$14,459,128</u>

See Accompanying Notes

Deer Lakes School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014

Exhibit 4

Total Fund Balances - Governmental Funds \$ 7,366,021

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$90,994,821 and the accumulated depreciation is \$26,897,958. 64,096,863

Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are unavailable in the funds. 3,374,150

Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. 1,828,071

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$(56,560,000)	
General Obligation Note	(859,223)	
Accrued Interest on the Bonds	(595,610)	
Other Post-Employment Benefits	(1,156,283)	
Compensated Absences	<u>(546,875)</u>	<u>(59,717,991)</u>

Total Net Position - Governmental Activities \$ 16,947,114

See Accompanying Notes

**Deer Lakes School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014**

Exhibit 5

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Local Sources	\$20,772,470	\$ 27	\$20,772,497
State Sources	11,184,385	-	11,184,385
Federal Sources	<u>357,357</u>	<u>-</u>	<u>357,357</u>
Total Revenues	<u>32,314,212</u>	<u>27</u>	<u>32,314,239</u>
Expenditures			
Instruction	16,095,641	-	16,095,641
Support Services	10,775,269	-	10,775,269
Noninstructional Services	539,960	-	539,960
Capital Outlay	11,070	8,300	19,370
Debt Service	3,265,689	-	3,265,689
Refunds of Prior Year's Receipts	<u>4,245</u>	<u>-</u>	<u>4,245</u>
Total Expenditures	<u>30,691,874</u>	<u>8,300</u>	<u>30,700,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,622,338</u>	<u>(8,273)</u>	<u>1,614,065</u>
Other Financing Sources (Uses)			
Transfers In		192,331	192,331
Transfers Out	<u>(249,331)</u>	<u>-</u>	<u>(249,331)</u>
Total Other Financing Sources (Uses)	<u>(249,331)</u>	<u>192,331</u>	<u>(57,000)</u>
Net Changes in Fund Balances	1,373,007	184,058	1,557,065
Fund Balances - July 1, 2013	<u>5,165,892</u>	<u>643,064</u>	<u>5,808,956</u>
Fund Balances - June 30, 2014	<u>\$ 6,538,899</u>	<u>\$ 827,122</u>	<u>\$ 7,366,021</u>

See Accompanying Notes

**Deer Lakes School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2014**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 1,557,065

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

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

Depreciation Expense	\$(2,240,050)	
Capital Outlays	<u>508,774</u>	(1,731,276)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 356,655

Repayment of bonds and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 866,035

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid). 118,922

Compensated Absences

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, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on the Bonds 3,076

**Deer Lakes School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2014**

Exhibit 6

Bond discount is reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Bond Premium	\$ 55,349	
Amortization of Joint Venture Payments	(52,591)	
Amortization of Discount and Deferred		
Loss on Refunding	<u>(126,898)</u>	\$ (124,140)
Increase in Other Post-Employment Benefits		<u>(216,969)</u>
Change in Net Position of Governmental Activities		\$ <u>826,568</u>

See Accompanying Notes

**Deer Lakes School District
Statement of Net Position
Proprietary Funds
June 30, 2014**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 24,355
Other Receivables	4,270
Inventories	<u>12,282</u>
Total Current Assets	<u>40,907</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>30,193</u>
TOTAL ASSETS	<u>71,100</u>
LIABILITIES	
Due to Other Funds	82,481
Accounts Payable	4,574
Accrued Salaries and Benefits	3,263
Unearned Revenues	4,974
Other Current Liabilities	<u>12,071</u>
TOTAL LIABILITIES	<u>107,363</u>
NET POSITION	
Net Investment in Capital Assets	30,193
Unrestricted	<u>(66,456)</u>
TOTAL NET POSITION	<u>\$(36,263)</u>

See Accompanying Notes

Deer Lakes School District
Statement of Revenues, Expenses and Changes
in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>668,014</u>
Operating Expenses	
Salaries	393,146
Employee Benefits	303,336
Other Purchased Services	9,218
Supplies	550,988
Depreciation	10,937
Dues and Fees	6,545
Other Operating Expenses	<u>1,090</u>
Total Operating Expenses	<u>1,275,260</u>
Operating Income (Loss)	<u>(607,246)</u>
Nonoperating Revenues (Expenses)	
State Sources	83,530
Federal Sources	<u>427,953</u>
Total Nonoperating Revenues (Expenses)	<u>511,483</u>
Income (Loss) Before Transfers	(95,763)
Transfers In	<u>57,000</u>
Change in Net Position	(38,763)
Net Position - July 1, 2013	<u>2,500</u>
Net Position - June 30, 2014	\$ <u>(36,263)</u>

See Accompanying Notes

**Deer Lakes School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2014**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 666,788
Cash Payments for Employee Services	(696,316)
Cash Payments to Suppliers for Goods and Services	(531,566)
Cash Payments for Other Operating Expenses	<u>(1,090)</u>
Net Cash Used for Operating Activities	<u>(562,184)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	83,530
Federal Sources	361,586
Operating Transfers In	<u>57,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>502,116</u>
Net Decrease in Cash and Cash Equivalents	(60,068)
Cash and Cash Equivalents - July 1, 2013	<u>84,423</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 24,355</u>

**Deer Lakes School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2014**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$(607,246)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	10,937
Donated Commodities	69,855
(Increase) Decrease in Accounts Receivable	(1,226)
(Increase) Decrease in Inventories	(3,806)
Increase (Decrease) in Accounts Payable	(2,620)
Increase (Decrease) in Advances from Other Funds	(30,715)
Increase (Decrease) in Unearned Revenues	2,147
Increase (Decrease) in Current Liabilities	<u>490</u>
Total Adjustments	<u>45,062</u>
Cash Used for Operating Activities	<u>\$(562,184)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2014, the School District received \$72,002 of U. S. D. A. Donated Commodities in the food service fund.

See Accompanying Notes

**Deer Lakes School District
Statement of Net Position
Fiduciary Funds
June 30, 2014**

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	<u>\$10,000</u>	<u>\$29,021</u>
LIABILITIES		
Other Current Liabilities	<u>-</u>	<u>29,021</u>
NET POSITION		
Restricted for Scholarships	<u>\$10,000</u>	<u>\$-</u>

See Accompanying Notes

**Deer Lakes School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2014**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Interest	\$ <u>20</u>
Deductions	
Scholarships Awarded	<u>20</u>
Change in Net Position	-
Net Position - July 1, 2013	<u>10,000</u>
Net Position - June 30, 2014	<u>\$10,000</u>

See Accompanying Notes

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

Deer Lakes School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Townships of East Deer, West Deer and Frazer. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Deer Lakes School District. *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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports this major governmental fund and fund type:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School District also reports as nonmajor governmental funds the following:

Capital reserve funds account for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund types:

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships.

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school.

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

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

C. Measurement Focus and Basis of Accounting

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

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

The government-wide financial statements and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

D. Joint Venture

The School District is one of nine-member school districts of the A. W. Beattie Career Center (Beattie). Beattie provides vocational-technical training and education to participating students of the member districts. Beattie is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Beattie's operations are the responsibility of the Joint Committee, which consists of two representatives from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Beattie. The School District's share of annual operating and capital costs for Beattie fluctuates, based on the percentage of enrollment of each member district in the school. The

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

D. Joint Venture (Cont'd)

School District's financial obligation to Beattie for the year ended June 30, 2014, was \$508,539 which was paid in the year ended June 30, 2014 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2014. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

E. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting 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 Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board made no budget transfers during the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2014.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2014.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2014 are reported as unearned revenue.

J. Prepaid Items

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

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$3,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

K. Capital Assets (Cont'd)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20-40
Land Improvements	20
Furniture	15
Vehicles	8
Equipment	10-15
Computers	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discount are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discount, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discount 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.

N. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

P. Equity Classifications (Cont'd)

Government-Wide Statements (Cont'd)

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Cont'd)

P. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purpose of the nonspendable, restricted, committed and assigned fund balance as of June 30, 2014, is as follows:

General Fund

1. The nonspendable fund balance of \$331,287 is for prepaid items.
2. The assigned fund balance of \$4,368,460 is for the following purposes:

a. Employer Retirement		
Expenditures	\$3,400,000	
Future Increases	468,460	
b. Capital Debt		500,000
c. Construction Costs		<u>500,000</u>
		<u>\$4,368,460</u>

The committed fund balance in nonmajor funds of \$827,122 is for future capital projects.

Note 2 - Restatement of Beginning Net Position, Governmental Activities

Deer Lakes School District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013 and applied the statement retroactively. Beginning net position in the government-wide financial statements was restated as of July 1, 2013. The result of the effects of applying this new statement is summarized below.

Net Position, June 30, 2013 (previously reported)	\$17,008,723
Prior to implementation of GASBS No. 65, bond issuance costs were deferred and amortized over the life of the bonds. Under the new statement, bond issuance costs are expensed when incurred. The result is a decrease in beginning net position for unamortized bond issuance costs.	<u>(890,677)</u>
Restated Net Position, July 1, 2013	<u>\$16,118,046</u>

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 2 - Restatement of Beginning Net Position, Governmental Activities (Cont'd)

The pro forma effects of the retroactive application are shown in the schedule below for the governmental activities. The change in the expenses is in the function administrative and financial support services. The amount originally was reported as \$3,375,896; the pro forma amount is \$3,329,739 a decrease of \$46,157.

	Actual (Previously Reported)	Pro Forma
Total Revenues	<u>\$31,130,068</u>	<u>\$31,130,068</u>
Total Expenses	<u>32,068,453</u>	<u>32,022,296</u>
Increase (Decrease) in Net Position	(938,385)	(892,228)
Beginning Net Position	<u>17,947,108</u>	<u>17,010,274</u>
Ending Net Position	<u>\$17,008,723</u>	<u>\$16,118,046</u>

Note 3 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2014, \$1,714,476 of the School District's bank balance of \$1,992,141 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	<u>\$1,714,476</u>
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As of June 30, 2014, the School District had the following investments:

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Investment	Fair Value
PSDLAF	\$6,026,010
PLGIT	<u>306,020</u>
	<u>\$6,332,030</u>

Interest Rate Risk - The School 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.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to custodial credit risk classification.

PSDLAF and PLGIT, collectively referred to as "The Funds" are governed by elected board of trustees who are responsible for the overall management of The Funds. The trustees are elected from the several classes of local governments participating in The Funds. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT is the same as the value of PSDLAF and PLGIT shares.

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2013/2014 was 21.953 mills (\$21.95 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2013/2014 is as follows:

Tax Levy Date	July 1, 2013
2% Discount Period	Through August 31, 2013
Face Payment Period	September 1 - October 31, 2013
10% Penalty Period	November 1 Until Liated
Lien Filing Date	July 1, 2014

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$3,374,150, net of uncollectible.

Note 5 - Due from Other Governments

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

	Governmental Activities
Federal (through the state)	\$ 748,097
State	514,181
Local	<u>218,949</u>
	<u>\$1,481,227</u>

Note 6 - Capital Assets

For the year ended June 30, 2014, capital asset activity was as follows:

	Balance 07/01/13	Additions	Disposals	Balance 06/30/14
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ <u>59,494</u>	\$ _____ -	\$ _____ -	\$ <u>59,494</u>

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 6 - Capital Assets (Cont'd)

	Balance 07/01/13	Additions	Disposals	Balance 06/30/14
Governmental Activities (Cont'd)				
Capital Assets Being Depreciated				
Land Improvements	\$ 464,630	\$ -	\$ -	\$ 464,630
Buildings and Building Improvements	82,188,646	-	-	82,188,646
Furniture and Equipment	<u>8,027,432</u>	<u>508,474</u>	<u>253,855</u>	<u>8,282,051</u>
Total Capital Assets Being Depreciated	<u>90,680,708</u>	<u>508,474</u>	<u>253,855</u>	<u>90,935,327</u>
Less Accumulated Depreciation				
Land Improvements	464,630	-	-	464,630
Buildings and Building Improvements	18,121,459	1,689,424	-	19,810,883
Furniture and Equipment	<u>6,325,674</u>	<u>550,626</u>	<u>253,855</u>	<u>6,622,445</u>
Total Accumulated Depreciation	<u>24,911,763</u>	<u>2,240,050</u>	<u>253,855</u>	<u>26,897,958</u>
Total Capital Assets Being Depreciated, Net	<u>65,768,945</u>	<u>(1,731,576)</u>	-	<u>64,037,369</u>
Governmental Activities Capital Assets, Net	<u>\$65,828,439</u>	<u>\$(1,731,576)</u>	\$ -	<u>\$64,096,863</u>
Business-Type Activities				
Furniture and Equipment	\$ 470,744	\$ -	\$ -	\$ 470,744
Less Accumulated Depreciation	<u>429,614</u>	<u>10,937</u>	-	<u>440,551</u>
Business-Type Capital Assets, Net	<u>\$ 41,130</u>	<u>\$(10,937)</u>	\$ -	<u>\$ 30,193</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$1,310,652
Administration	159,940
Support Services	257,606
Operation and Main. of Plant Services	248,646
Pupil Transportation	218,629
Student Activities	<u>44,577</u>
Total Depreciation Expense	<u>\$2,240,050</u>

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 6 - Capital Assets (Cont'd)

Business-Type Activities

Food Service	\$ <u>10,937</u>
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Note 7 - Interfund Balances

Interfund balances at June 30, 2014 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$107,293	\$634,705
Nonmajor Funds	634,705	24,812
Enterprise Fund		
Food Service Fund	<u>-</u>	<u>82,481</u>
	<u>\$741,998</u>	<u>\$741,998</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Note 8 - Interfund Transfers

For the year ended June 30, 2014, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>
	General Fund
Nonmajor Funds	
Capital Projects Fund	\$192,331
Enterprise Fund	<u>57,000</u>
	<u>\$249,331</u>

The general fund makes routine transfers to the food service fund (enterprise fund) to cover operating deficits and the general fund made transfers to the capital projects fund for future construction projects.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 9 - Long-Term Debt

The following are changes in the long-term liabilities for the year ended June 30, 2014:

	Balance 07/01/13	Additions	Retirements	Balance 06/30/14	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$57,385,000	\$ -	\$ 825,000	\$56,560,000	\$1,510,000
Plus: Bond Premium	582,214	-	55,348	526,866	-
Less: Bond Discount	<u>(249,529)</u>	-	<u>(9,686)</u>	<u>(239,843)</u>	-
Net General Obligation Bonds	<u>57,717,685</u>	-	<u>870,662</u>	<u>56,847,023</u>	<u>1,510,000</u>
General Obligation Note	900,258	-	41,035	859,223	42,546
Compensated Absences Payable	<u>665,797</u>	<u>277,469</u>	<u>396,391</u>	<u>546,875</u>	<u>125,000</u>
Governmental Activities					
Long-Term Liabilities	<u>\$59,283,740</u>	<u>\$277,469</u>	<u>\$1,308,088</u>	<u>\$58,253,121</u>	<u>\$1,677,546</u>

General Obligation Bonds

Series 2009; interest at 2.5%-5.5%; final payment April 2039	\$21,015,000
Refunding Series 2011A; interest at 0.5%-3.25%; final payment October 2022	9,720,000
Refunding Series 2011B; interest at 0.5%-3.50%; final payment October 2024	6,100,000
Refunding Series 2012; interest at 2.0%-4.0%; final payment October 2038	17,235,000
Refunding Series of 2013; interest at 0.50%-2.625%; final payment April 2025	<u>2,490,000</u>
	<u>\$56,560,000</u>

General Obligation Notes

Series of 2008 in the amount of \$1,051,812; payable in semi-annual installments; final payment due October 25, 2028, interest from 3.0%-4.6%	<u>\$ 859,223</u>
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Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 9 - Long-Term Debt (Cont'd)

The debt service source for the above debt is the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2014, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal	Interest	Principal	Interest	
2015	\$ 1,510,000	\$ 2,346,700	\$ 42,546	\$ 35,527	\$ 3,934,773
2016	1,535,000	2,307,413	44,056	33,905	3,920,374
2017	1,580,000	2,270,013	45,819	32,275	3,928,107
2018	1,615,000	2,236,071	47,581	30,464	3,929,116
2019	1,665,000	2,197,975	49,343	28,526	3,940,844
2020-2023	9,425,000	9,870,429	280,702	109,139	19,685,270
2024-2028	10,310,000	8,206,831	349,176	40,890	18,906,897
2029-2033	12,715,000	5,877,163	-	-	18,592,163
2034-2038	<u>16,205,000</u>	<u>2,396,400</u>	<u>-</u>	<u>-</u>	<u>18,601,400</u>
	<u>\$56,560,000</u>	<u>\$37,708,995</u>	<u>\$859,223</u>	<u>\$310,726</u>	<u>\$95,438,944</u>

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2014, \$22,545,000 of bonds outstanding is considered defeased.

Note 10 - Leases

The School District leases a number of copiers under operating leases with monthly payments of \$5,426 through February 2014, \$337 per month through February 2017, and \$4,865 through August 2019. The School District also leases postage meters under operating leases with monthly payments of \$213 through September 2017. During the year ended June 30, 2014, the School District paid \$64,559 on these leases.

Future lease payments are as follows:

Year Ended June 30,	Amount
2015	\$ 64,978
2016	64,978
2017	61,712

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 10 - Leases (Cont'd)

Year Ended June 30,	Amount
2018	\$ 58,377
2019	<u>4,865</u>
	<u>\$254,910</u>

Note 11 - Public School Employees' Retirement System (PSERS)

A. Plan Description

Deer Lakes School District contributes to the Public School Employees' Retirement System of Pennsylvania (PSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PSERS.

PSERS provides retirement and disability benefits, legislative mandated ad hoc cost of living adjustments, and healthcare insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, 24 Pa. C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Public School Employees' Retirement System; P.O. Box 125; Harrisburg, PA 17108-0125.

B. Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 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. Two new classes of membership (Class T-E and Class T-F) were created for anyone that becomes a new member of PSERS for the first time on or after July 1, 2011. For Class T-E members, the pension multiplier is 2% and the employee contribution base rate is 7.5% with a "shared risk". For Class T-F members, the pension multiplier is 2.5% and the employee contribution base rate is 10.3% with a "shared risk". Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll, or 8.465% for both the School District and the Commonwealth.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 11 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. Funding Policy (Cont'd)

The School District's contributions to PSERS for the years ending June 30, 2014, 2013 and 2012 were \$2,367,783, \$1,756,446 and \$1,210,156, respectively, equal to the required contributions for each year. One half of the required contributions noted above were paid by the Commonwealth of Pennsylvania as a reimbursement to the School District.

Note 12 - Contingent Liabilities

Deer Lakes School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2014 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 13 - Post-Employment Healthcare Plan

A. Plan Description

Deer Lakes School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, prescription drug, dental and vision for five groups of employees: teachers; administrators; secretaries/aides; custodial/maintenance; and cafeteria workers. Teachers and administrators are referred to as professional employees (PEs). The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

The eligibility and the benefits for each group is as follows:

1) Administrators

- a. Eligibility - Member must complete 30 years with PSERS or attain age 62. The member must also complete 10 years with the School District.

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

1) Administrators (Cont'd)

b. Coverage and Premium Sharing

i. - Coverage - Medical, Prescription Drug, Dental and Vision

ii. - Premium Sharing - Member and spouse will receive full paid benefits for HMO Medicare and prescription drug. The member must forward any PSERS supplements received. The member may elect to buy-up to the PPO by paying the difference in premiums. Member and spouse may elect dental and vision by paying the full premium.

In the event the retiree dies, the spouse may continue the same coverage until the earlier of Medicare age and member Medicare age.

Dependents - Spouses included.

c. Duration - Member - Medicare age; Spouse - Member Medicare age

2) Teachers - Retired prior to 07/01/2003

a. Eligibility - N/A - already retired.

b. Coverage and Premium Sharing

i. - Coverage - Medical, Prescription Drug, Dental and Vision

ii. - Premium Sharing - Member and spouse will receive full paid benefits for PPO medical and prescription drug. The member must forward any PSERS supplements received. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

c. Duration - Same as 1.

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

3) Teachers - Retired 07/01/2003 - 06/30/2008

- a. Eligibility - N/A - already retired.
- b. Coverage and Premium Sharing
Same as b.
- c. Duration - Same as 1.

4) Teachers - Retired/retiring after 06/30/08

- a. Eligibility - Member must complete 15 years with the School District.
- b. Coverage and Premium Sharing
 - i. - Coverage - Medical, Prescription Drug, Dental and Vision
 - ii. - Premium Sharing - Member and spouse will receive full paid benefits for HMO medical and prescription drug. The member must forward any PSERS supplements received along with contributing 5% of the monthly premium cost. The member may elect to buy-up to the PPO by paying the difference in premiums. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

- c. Duration - Same as 1.

5) Support Staff

Grandfathered Secretaries

- a. Eligibility - Member must complete 20 years of PSERS service and reach age 55.
- b. Coverage and Premium Sharing
 - i. - Coverage - Medical, Prescription Drug, Dental and Vision

**Deer Lakes School District
Notes to Financial Statements
June 30, 2014**

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

5) Support Staff (Cont'd)

Grandfathered Secretaries (Cont'd)

b. Coverage and Premium Sharing (Cont'd)

ii. - Premium Sharing - Member and spouse will receive full paid benefits for HMO medical and prescription drug. The member must return any PSERS supplements received and any increase in premiums from the time of retirement must be paid for by the member. The member may elect to buy-up to the PPO by paying the difference in premiums. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

c. Duration - Same as 1.

Teacher Aides & Secretaries

a. Eligibility - Same as 5 (Grandfathered Secretaries)

b. Coverage and Premium Sharing

i. - Coverage - Medical, Prescription Drug, Dental and Vision

ii. - Premium Sharing - Member will receive full paid benefits for HMO medical and prescription drug. The member must return any PSERS supplements received and any increase in premiums from the time of retirement must be paid for by the member. Spouse may elect coverage by paying the full premium. The member may elect to buy-up to the PPO by paying the difference in premiums. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

c. Duration - Same as 1.

Custodians/Maintenance, Bus Drivers & Food Service 0-4 hours/day

a. Eligibility - Must attain age 62.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

5) Support Staff (Cont'd)

Custodians/Maintenance, Bus Drivers & Food Service 0-4 hours/day (Cont'd)

b. Coverage and Premium Sharing

i. - Coverage - Medical, Prescription Drug, Dental and Vision

ii. - Premium Sharing - Member will receive full paid benefits for PPO medical and prescription drug. Spouse may elect coverage by paying the full premium. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

c. Duration - Same as 1.

Custodians/Maintenance, Bus Drivers & Food Service 4+ hours/day

a. Eligibility - Same as 5 above (Custodians/Maintenance, Bus Drivers & Food Service 0-4 hours/day)

b. Coverage and Premium Sharing

i. - Coverage - Medical, Prescription Drug, Dental and Vision

ii. - Premium Sharing - Member and spouse will receive full paid benefits for PPO medical and prescription drug. Member and spouse may elect dental and vision by paying the full premium.

Dependents - Spouses included.

c. Duration - Same as 1.

Notes: Act 110/43 eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age).

PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

1. 24.5 years of PSERS service;
2. Termination of employment on or after age 62 with at least 15 years of PSERS service.

For the year ended June 30, 2014, the School District contributed \$401,809 and the retirees contributed \$33,593 towards the Annual Required Contribution. The plan is financed on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year June 30, 2014, the amount actually contributed to the plan and changes in the School District's net OPEB obligation.

Annual Required Contribution	\$ 827,763
Interest on Net OPEB Obligation	42,269
Adjustment to Annual Required Contribution	<u>(57,666)</u>
Annual OPEB Cost (Expense)	812,366
Contributions Made	<u>(595,397)</u>
Increase in OPEB Obligation	216,969
Net OPEB Obligation - Beginning of Year	<u>939,314</u>
Net OPEB Obligation - End of Year	<u>\$1,156,283</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2014, 2013 and 2012, is as follows

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/14	\$812,366	73.29%	\$1,156,283
06/30/13	816,219	71.20%	939,314
06/30/12	773,755	91.01%	704,269

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 13 - Post-Employment Healthcare Plan (Cont'd)

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent information available, the actuarial accrued liability for benefits was \$7,561,497 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,486,952 and the ratio of unfunded actuarial accrued liability to the covered payroll was 56.07%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included an interest rate of 4.5%; an annual healthcare cost trend rate of 7.5% initially decreasing by 0.5% per year to an ultimate rate of 4.2%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is thirty years. The period is open.

Note 14 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$3,764,458 and \$3,625,269 for the years ended June 30, 2014 and 2013, respectively.

Deer Lakes School District
Notes to Financial Statements
June 30, 2014

Note 14 - Risk Management (Cont'd)

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2014, the net position of the Consortium was \$30,047,603 of which \$476,014 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2014, was \$1,779,103.

This includes \$1,237,376 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$541,727 to the federal government for social security and Medicare taxes for the year ended June 30, 2014. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 16 - Tax Increment Financing Plan (TIF)

The School District has entered into a tax increment financing plan with Frazer Township and Allegheny County to provide financing for the development of blighted areas within their respective jurisdictions in order to increase the tax base and improve the general economy. The Frazer Mills Tax Increment financing plan is for the financing and construction of infrastructure improvements in connection with a mixed-use commercial development. The School District agrees to contribute and pay over to the Redevelopment Authority for repayment of debt issued by them for the assistance in funding this project, approximately 80% (\$4,261,422 during 2013/2014) of their share of all incremental real estate tax realized from the increase in market value of taxable real property situated in the tax increment financing district through the tax year 2024.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$17,352,743	\$17,352,743	\$17,333,866	\$ (18,877)
Public Utility Realty Taxes	26,000	26,000	25,729	(271)
Current Per Capita Taxes - Sec. 679	38,000	38,000	36,765	(1,235)
Current Per Capita Taxes - Act 511	38,000	38,000	36,755	(1,245)
Local Services Taxes	33,000	33,000	29,090	(3,910)
Current Act 511 - Earned Income Taxes	1,300,000	1,300,000	1,681,347	381,347
Current Act 511 - Real Estate Transfer Taxes	160,000	160,000	163,955	3,955
Delinquencies on Taxes	1,234,500	1,234,500	847,681	(386,819)
Earnings on Investments	15,000	15,000	8,049	(6,951)
Other Local Revenues				
Revenue from Student Activities	44,000	44,000	51,546	7,546
Federal Revenues from IUs	380,552	380,552	393,414	12,862
Rentals	7,500	7,500	8,934	1,434
Contributions and Donations from Private Sources	35,350	35,350	83,419	48,069
Tuition from Patrons	93,855	93,855	350	(93,505)
Services Provided from Other Gov't. Units	-	-	62,828	62,828
Miscellaneous	32,815	32,815	8,742	(24,073)
Total Revenues from Local Sources	<u>20,791,315</u>	<u>20,791,315</u>	<u>20,772,470</u>	<u>(18,845)</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	5,749,326	5,749,326	5,761,988	12,662
Tuition	5,050	5,050	-	(5,050)
Subsidies for Spec. Educ. Programs				
Vocational Education	3,030	3,030	-	(3,030)
Special Education of Excep. Pupils	1,150,837	1,150,837	1,156,620	5,783
Subsidies for Noneduc. Programs				
Transportation (Regular & Add'l.)	872,200	872,200	984,200	112,000
Rentals and Sinking Fund Payments	395,000	395,000	478,161	83,161
Health Services	33,580	33,580	35,404	1,824
State Property Tax Reduction Allocation	932,284	932,284	932,284	-

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
PA Accountability Grants	\$ 104,711	\$ 104,711	\$ 104,711	\$ -
Social Security Payments	529,773	529,773	526,907	(2,866)
State Retirement Revenue	<u>1,092,813</u>	<u>1,092,813</u>	<u>1,204,110</u>	<u>111,297</u>
Total Revenues from State Sources	<u>10,868,604</u>	<u>10,868,604</u>	<u>11,184,385</u>	<u>315,781</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	170,631	170,631	169,999	(632)
Title II	46,814	46,814	46,770	(44)
Medical Assistance - Access	224,294	224,294	136,809	(87,485)
Medical Assistance - Administration	<u>1,840</u>	<u>1,840</u>	<u>3,779</u>	<u>1,939</u>
Total Revenues from Federal Sources	<u>443,579</u>	<u>443,579</u>	<u>357,357</u>	<u>(86,222)</u>
Total Revenues	<u>32,103,498</u>	<u>32,103,498</u>	<u>32,314,212</u>	<u>210,714</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	7,144,900	7,144,900	7,186,405	(41,505)
Employee Benefits	3,718,901	3,718,901	3,556,583	162,318
Purchased Prof. & Tech. Services	35,000	35,000	-	35,000
Purchased Property Services	1,700	1,700	360	1,340
Other Purchased Services	277,000	277,000	291,907	(14,907)
Supplies	648,450	648,450	345,947	302,503
Property	<u>15,000</u>	<u>15,000</u>	<u>1,100</u>	<u>13,900</u>
Total Regular Programs	<u>11,840,951</u>	<u>11,840,951</u>	<u>11,382,302</u>	<u>458,649</u>

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Special Programs				
Personal Services				
Salaries	\$ 2,138,244	\$ 2,138,244	\$ 2,084,811	\$ 53,433
Employee Benefits	992,261	992,261	1,014,632	(22,371)
Purchased Prof. & Tech. Services	492,999	492,999	232,970	260,029
Other Purchased Services	170,000	170,000	541,032	(371,032)
Supplies	36,460	36,460	36,978	(518)
Property	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Special Programs	<u>3,834,964</u>	<u>3,834,964</u>	<u>3,910,423</u>	<u>(75,459)</u>
Vocational Education Programs				
Other Purchased Services	<u>483,651</u>	<u>483,651</u>	<u>459,704</u>	<u>23,947</u>
Other Instructional Programs				
Personal Services				
Salaries	157,907	157,907	193,254	(35,347)
Employee Benefits	74,391	74,391	83,187	(8,796)
Purchased Prof. & Tech. Services	-	-	53,775	(53,775)
Other Purchased Services	20,200	20,200	-	20,200
Supplies	<u>-</u>	<u>-</u>	<u>3,261</u>	<u>(3,261)</u>
Total Other Instructional Programs	<u>252,498</u>	<u>252,498</u>	<u>333,477</u>	<u>(80,979)</u>
Non-Public School Programs				
Other Purchased Services	<u>-</u>	<u>-</u>	<u>9,735</u>	<u>(9,735)</u>
Total Instruction	<u>16,412,064</u>	<u>16,412,064</u>	<u>16,095,641</u>	<u>316,423</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	676,717	676,717	692,814	(16,097)
Employee Benefits	311,033	311,033	278,734	32,299
Purchased Prof. & Tech. Services	156,045	156,045	100,665	55,380

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Personnel (Cont'd)				
Other Purchased Services	\$ 1,010	\$ 1,010	\$ 2,359	\$ (1,349)
Supplies	17,750	17,750	11,646	6,104
Other Objects	<u>757</u>	<u>757</u>	<u>13,627</u>	<u>(12,870)</u>
Total Pupil Personnel	<u>1,163,312</u>	<u>1,163,312</u>	<u>1,099,845</u>	<u>63,467</u>
Instructional Staff				
Personal Services				
Salaries	191,680	191,680	207,320	(15,640)
Employee Benefits	105,327	105,327	102,201	3,126
Purchased Prof. & Tech. Services	3,030	3,030	455	2,575
Other Purchased Services	2,525	2,525	2,025	500
Supplies	<u>51,600</u>	<u>51,600</u>	<u>45,065</u>	<u>6,535</u>
Total Instructional Staff	<u>354,162</u>	<u>354,162</u>	<u>357,066</u>	<u>(2,904)</u>
Administration				
Personal Services				
Salaries	973,898	973,898	948,530	25,368
Employee Benefits	459,896	459,896	439,415	20,481
Purchased Prof. & Tech. Services	63,010	63,010	83,449	(20,439)
Purchased Property Services	96,466	96,466	105,067	(8,601)
Other Purchased Services	13,040	13,040	15,230	(2,190)
Other Objects	<u>132,807</u>	<u>132,807</u>	<u>52,007</u>	<u>80,800</u>
Total Administration	<u>1,739,117</u>	<u>1,739,117</u>	<u>1,643,698</u>	<u>95,419</u>
Pupil Health				
Personal Services				
Salaries	137,926	137,926	148,604	(10,678)
Employee Benefits	81,718	81,718	86,402	(4,684)

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Health (Cont'd)				
Purchased Prof. & Tech. Services	\$ 807	\$ 807	\$ -	\$ 807
Other Purchased Services	-	-	839	(839)
Supplies	<u>11,500</u>	<u>11,500</u>	<u>14,521</u>	<u>(3,021)</u>
Total Pupil Health	<u>231,951</u>	<u>231,951</u>	<u>250,366</u>	<u>(18,415)</u>
Business				
Personal Services				
Salaries	179,658	179,658	194,012	(14,354)
Employee Benefits	99,834	99,834	106,419	(6,585)
Purchased Prof. & Tech. Services	12,221	12,221	-	12,221
Other Purchased Services	9,494	9,494	4,594	4,900
Supplies	7,575	7,575	16,265	(8,690)
Other Objects	<u>16,160</u>	<u>16,160</u>	<u>4,099</u>	<u>12,061</u>
Total Business	<u>324,942</u>	<u>324,942</u>	<u>325,389</u>	<u>(447)</u>
Oper. & Maint. of Plant Svcs.				
Personal Services				
Salaries	1,094,935	1,094,935	1,233,663	(138,728)
Employee Benefits	695,858	695,858	704,718	(8,860)
Purchased Prof. & Tech. Services	10,100	10,100	26,666	(16,566)
Purchased Property Services	888,160	888,160	668,317	219,843
Other Purchased Services	306,839	306,839	252,123	54,716
Supplies	528,550	528,550	421,097	107,453
Property	40,000	40,000	11,568	28,432
Other Objects	<u>2,020</u>	<u>2,020</u>	<u>4,000</u>	<u>(1,980)</u>
Total Oper. & Maint. of Plant Svcs.	<u>3,566,462</u>	<u>3,566,462</u>	<u>3,322,152</u>	<u>244,310</u>
Student Transportation Services				
Personal Services				
Salaries	566,790	566,790	681,644	(114,854)
Employee Benefits	399,366	399,366	372,099	27,267
Purchased Property Services	7,000	7,000	526	6,474

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Student Transportation Services (Cont'd)				
Other Purchased Services	\$ 1,174,000	\$ 1,174,000	\$ 1,182,378	\$ (8,378)
Supplies	211,000	211,000	211,249	(249)
Property	184,000	184,000	177,895	6,105
Other Objects	<u>1,500</u>	<u>1,500</u>	<u>2,376</u>	<u>(876)</u>
Total Student Transportation Services	<u>2,543,656</u>	<u>2,543,656</u>	<u>2,628,167</u>	<u>(84,511)</u>
Central				
Personal Services				
Salaries	310,192	310,192	317,491	(7,299)
Employee Benefits	167,712	167,712	164,708	3,004
Purchased Prof. & Tech. Services	192,607	192,607	30,569	162,038
Purchased Property Services	10,100	10,100	-	10,100
Other Purchased Services	7,070	7,070	7,720	(650)
Supplies	175,797	175,797	263,703	(87,906)
Property	269,681	269,681	323,494	(53,813)
Other Objects	<u>1,615</u>	<u>1,615</u>	<u>465</u>	<u>1,150</u>
Total Central	<u>1,134,774</u>	<u>1,134,774</u>	<u>1,108,150</u>	<u>26,624</u>
Other				
Other Purchased Services	<u>37,968</u>	<u>37,968</u>	<u>40,436</u>	<u>(2,468)</u>
Total Support Services	<u>11,096,344</u>	<u>11,096,344</u>	<u>10,775,269</u>	<u>321,075</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	277,440	277,440	274,712	2,728
Employee Benefits	61,809	61,809	65,544	(3,735)
Purchased Prof. & Tech. Services	33,000	33,000	36,050	(3,050)
Purchased Property Services	-	-	27,090	(27,090)
Other Purchased Services	91,708	91,708	37,476	54,232

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Noninstructional Services (Cont'd)				
Student Activities (Cont'd)				
Supplies	\$ 80,800	\$ 80,800	\$ 79,714	\$ 1,086
Property	25,000	25,000	2,330	22,670
Other Objects	<u>20,000</u>	<u>20,000</u>	<u>11,384</u>	<u>8,616</u>
Total Student Activities	<u>589,757</u>	<u>589,757</u>	<u>534,300</u>	<u>55,457</u>
Community Services				
Purchased Prof. & Tech. Services	-	-	622	(622)
Other Purchased Services	-	-	5,000	(5,000)
Supplies	<u>-</u>	<u>-</u>	<u>38</u>	<u>(38)</u>
Total Community Services	<u>-</u>	<u>-</u>	<u>5,660</u>	<u>(5,660)</u>
Total Noninstructional Services	<u>589,757</u>	<u>589,757</u>	<u>539,960</u>	<u>49,797</u>
Facilities Acquisition, Construction and Improvement Services				
Property	<u>-</u>	<u>-</u>	<u>11,070</u>	<u>(11,070)</u>
Debt Service				
Interest	2,324,674	2,324,674	2,399,654	(74,980)
Refunds of Prior Year's Receipts	25,250	25,250	4,245	21,005
Redemption of Principal	<u>1,006,078</u>	<u>1,006,078</u>	<u>866,035</u>	<u>140,043</u>
Total Debt Service	<u>3,356,002</u>	<u>3,356,002</u>	<u>3,269,934</u>	<u>86,068</u>
Total Expenditures	<u>31,454,167</u>	<u>31,454,167</u>	<u>30,691,874</u>	<u>762,293</u>
Other Financing Uses				
Fund Transfers				
Food Service Fund	57,000	57,000	57,000	-
Capital Projects Fund	192,331	192,331	192,331	-
Budgetary Reserve	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total Other Financing Uses	<u>649,331</u>	<u>649,331</u>	<u>249,331</u>	<u>400,000</u>

**Deer Lakes School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Expenditures and Other Financing Uses	<u>\$32,103,498</u>	<u>\$32,103,498</u>	<u>\$30,941,205</u>	<u>\$ 1,162,293</u>
Net Change in Fund Balance	-	-	1,373,007	1,373,007
Fund Balance - July 1, 2013	<u>4,232,947</u>	<u>4,232,947</u>	<u>5,165,892</u>	<u>932,945</u>
Fund Balance - June 30, 2014	<u>\$ 4,232,947</u>	<u>\$ 4,232,947</u>	<u>\$ 6,538,899</u>	<u>\$2,305,952</u>

**Deer Lakes School District
Required Supplementary Information
Other Post-Employment Benefits
June 30, 2014**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/12	\$ -	\$7,561,497	\$7,561,497	0.0%	\$13,486,952	56.07%
07/01/10	-	6,623,579	6,623,579	0.0%	14,767,088	44.85%
07/01/08	-	7,226,730	7,226,730	0.0%	13,539,725	53.37%

SINGLE AUDIT SECTION

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board
Deer Lakes School District
Cheswick, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Deer Lakes School District for the period ended June 30, 2014 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood, LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP

Pittsburgh, Pennsylvania

November 26, 2014

HOSACK, SPECHT, MUETZEL & WOOD LLP

Exhibit A

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
Deer Lakes School District
Cheswick, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Deer Lakes School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Deer Lakes School District's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deer Lakes 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.



HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
November 26, 2014

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

Members of the Board
Deer Lakes School District
Cheswick, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Deer Lakes 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 Deer Lakes School District's major federal programs for the year ended June 30, 2014. Deer Lakes 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 Deer Lakes 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 Deer Lakes School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report on Compliance for Each Major Federal Program (Cont'd)

Auditor's Responsibility (Cont'd)

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

Opinion on Each Major Federal Program

In our opinion, Deer Lakes 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, 2014.

Report on Internal Control Over Compliance

Management of Deer Lakes 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 Deer Lakes 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 Deer Lakes 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.

Report on Internal Control Over Compliance (Cont'd)

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.

Hosack, Specht, Muetzel & Wood, LLP
HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
November 26, 2014

**Deer Lakes School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year's Findings

Not applicable.

Deer Lakes School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/13	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/14
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-140115	07/01/13-09/30/14	\$169,999	\$ 56,877	\$ -	\$ 169,999	\$ 169,999	\$113,122
Title I Improving Basic Programs	I	84.010	013-130115	07/01/12-09/30/13	186,687	84,586	84,586	-	-	-
Title II Improving Teacher Quality	I	84.367	020-140115	07/01/13-09/30/14	46,770	15,605	-	46,770	46,770	31,165
Title II Improving Teacher Quality	I	84.367	020-130115	07/01/12-09/30/13	48,949	16,171	16,171	-	-	-
Title II Improving Teacher Quality	I	84.367	020-120115	07/01/11-09/30/12	49,726	<u>13,239</u>	<u>13,239</u>	-	-	-
Total PA Department of Education						<u>186,478</u>	<u>113,996</u>	<u>216,769</u>	<u>216,769</u>	<u>144,287</u>
Passed through the Allegheny County Intermediate Unit										
IDEA-B	I	84.027	RA062140003	07/01/13-06/30/14	393,414	-	-	393,414	393,414	393,414
IDEA-B	I	84.027	RA062130003	07/01/12-06/30/13	420,905	<u>332,998</u>	<u>332,998</u>	-	-	-
Total U. S. Department of Education						<u>519,476</u>	<u>446,994</u>	<u>610,183</u>	<u>610,183</u>	<u>537,701</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	292,179	3,487	288,692	288,692	-
Nat'l. School Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	69,405	-	69,405	69,405	-
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/13-06/30/14	N/A	<u>72,002</u>	<u>(2,827)</u>	<u>69,855</u>	<u>69,855</u>	<u>(4,974)</u>
Total U. S. Department of Agriculture						<u>433,586</u>	<u>660</u>	<u>427,952</u>	<u>427,952</u>	<u>(4,974)</u>
Total Federal Financial Assistance						<u>\$953,062</u>	<u>\$447,654</u>	<u>\$1,038,135</u>	<u>\$1,038,135</u>	<u>\$532,727</u>

Deer Lakes School District
Schedule of Expenditures of Federal Awards
Footnotes
June 30, 2014

Exhibit D

Note A - Significant Accounting Policies

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

Note B - Source Code

The source code (I) indicates funds received indirectly.

Note C - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$ 953,062
Add State Nutrition on Confirmation	35,443
Add 8810 Medical Assistance	32,240
Less Passed Through AIU	(332,998)
Less NSLP - Donated Commodities	<u>(72,002)</u>
 Per Subsidy Confirmation	 <u>\$ 615,745</u>

**Deer Lakes School District
List of Report Distribution
June 30, 2014**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census