

LINE MOUNTAIN SCHOOL DISTRICT
Herndon, Pennsylvania
A.U.N. No. 1-16-49-350-3
Financial Statements
For the Year Ended June 30, 2015

LINE MOUNTAIN SCHOOL DISTRICT

June 30, 2015

Table of Contents

	<u>Page Number</u>
Title Page	1
Table of Contents	2
Independent Auditor's Report	4
Management's Discussion and Analysis (MD&A)	7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - General and Special Revenue Funds	26
Statement of Net Position - Proprietary Fund	28
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	29
Statement of Cash Flows - Proprietary Fund	30
Statement of Fiduciary Net Position - Fiduciary Funds	32

LINE MOUNTAIN SCHOOL DISTRICT
June 30, 2015

Table of Contents - continued

	<u>Page Number</u>
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	33
Notes to the Financial Statements	34
Schedule of Funding Progress for the Postemployment Benefits Plan Required Supplementary Information	70
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	73
Notes to the Schedule of Expenditures of Federal Awards	74
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 <i>Government Auditing Standards</i>	75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	77
Schedule of Findings and Questioned Costs	80
Summary Schedule of Prior Year Audit Findings	81



KENNETH L. WAGNER, JR., CPA
kwagner@wdeapc.com
Principal

RONALD P. DREESE, CPA/PFS, IACCP
rdreese@wdeapc.com
Principal

BRIAN L. ELSASSER, CPA/CVA
belsasser@wdeapc.com
Principal

Licensed CPAs

RICHARD L. BARLETT, JR., CPA
MICHAEL L. FULLER, CPA
GEORGE J. GEIB, CPA
NEAL L. LEWIS, CPA
GWEN M. REICHENBACH, CPA
DOUGLAS A. WINNER, CPA

Office Locations

1372 N. SUSQUEHANNA TRAIL
SUITE 210
SELINGROVE, PA 17870
(570) 743-2030

115 FARLEY CIRCLE
SUITE 102
LEWISBURG, PA 17837
(570) 524-0488

41 BROADWAY STREET
MILTON, PA 17847
(570) 742-2613

304 EAST SECOND STREET
BLOOMSBURG, PA 17815
(570) 387-0747

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Line Mountain School District
Herndon, PA

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 Line Mountain School District, Herndon, Pennsylvania as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 19, the schedule of funding progress for postemployment benefits other than pensions, the schedule of the district's proportionate share of the net pension liability and the schedule of the district's contributions on pages 70 through 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Line Mountain School District, Herndon, Pennsylvania's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 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 December 14, 2015, on our consideration of Line Mountain 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Line Mountain School District's internal control over financial reporting and compliance.

Wagner, Drees, Elsasser & Associates, P.C.

WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 14, 2015

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Our discussion and analysis of the Line Mountain School District's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the financial statements, which follow this section.

The Management Discussion & Analysis (MD&A) is Required Supplementary Information as specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2014 – 2015) and the prior year (2013 – 2014) is required to be presented in the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, Management's Discussion and Analysis, the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates as a business, such as food service.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

The Basic Financial Statements also include Notes to Financial Statements, which explain some of the information in the statements and provides additional details.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods that are similar to private-sector companies. The Statement of Net Position includes assets and liabilities. All of the current year's revenues and expenses are included in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report net position and how they have changed. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources.

In the district-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Basic services are included here, such as regular education, special education, transportation, and administration.
- Business-type activities – Fees are charged to help cover the costs of certain services. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not the District as a whole. A fund is a fiscal and accounting entity, with a self-balancing set of accounts recording cash and other resources, together with all related liabilities and residual equities or balances, or changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund must be so accounted for that the identity of its resources, obligations, revenues, expenditures, and fund equities is continually maintained.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

The Line Mountain School District has three types of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on cash flows and year-end balances. These statements provide a detailed short-term view that helps to determine the available resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, we provide additional information with the governmental funds statements to explain the relationships between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported the same way as the district-wide financial statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the Student Activities Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. All the fiduciary activities are reported in a separate statement of fiduciary net position. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – Combined net position was (\$7,808,038) on June 30, 2015. See Table A-1.

**Table A-1
Line Mountain School District
Net Assets as of June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		District Totals	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$7,276,303	\$7,311,548	\$241,201	\$249,616	\$7,517,504	\$7,561,164
Capital assets	36,072,490	35,072,866	57,156	88,802	36,129,646	35,161,668
Total Assets	\$43,348,793	\$42,384,414	\$298,357	\$338,418	\$43,647,150	\$42,722,832
Deferred Outflows of Resources	1,233,085	2,535,262	0	0	1,233,085	2,535,262
Current liabilities	1,399,140	1,296,714	37,515	39,363	1,436,655	1,336,077
Non-current liabilities	28,862,420	50,148,354	1,313	1,000	28,863,733	50,149,354
Total Liabilities	\$30,261,560	\$51,445,068	\$38,828	\$40,363	\$30,300,388	\$51,485,431
Deferred Inflows of Resources	322,151	1,579,547	6,119	1,154	328,270	1,580,701
Net Invested in capital assets	7,717,490	7,522,866	57,156	88,802	7,774,646	7,611,668
Restricted net assets	34,106	55,779	0	0	34,106	55,779
Unrestricted net assets	6,246,571	-15,683,584	196,254	208,099	6,442,825	-15,475,485
Total Net Position	\$13,998,167	(\$8,104,939)	\$253,410	\$296,901	\$14,251,577	(\$7,808,038)

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

Total Net Position – increased by \$414,385 for year ending June 30, 2015. See Table A-2

**Table A-2
Line Mountain School District
Change in Net Assets
Fiscal Years Ended June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		District Totals	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for services	\$28,744	\$36,302	\$308,040	\$299,855	\$336,784	\$336,157
Operating grants & contributions	3,647,959	4,004,362	347,183	359,926	3,995,142	4,364,288
Capital grants & contributions	301,281	281,122			301,281	281,122
General Revenues						
Property taxes	5,163,331	4,878,320			5,163,331	4,878,320
Other taxes	2,042,906	1,989,791			2,042,906	1,989,791
State formula aide	6,299,967	6,278,962			6,299,967	6,278,962
Investment earnings	8,211	16,232	73	1,377	8,284	17,609
Other	901,583	320,287		395	901,583	320,682
Sale of Fixed Assets					0	0
Total Revenues	\$18,393,982	\$17,805,378	\$655,296	\$661,553	\$19,049,278	\$18,466,931
Expenses						
Instruction	9,614,760	10,128,719			9,614,760	10,128,719
Instructional student support	1,180,536	1,218,252			1,180,536	1,218,252
Administration	1,882,820	1,976,902			1,882,820	1,976,902
Operation & maintenance of facilities	1,925,130	1,414,347			1,925,130	1,414,347
Pupil transportation	1,884,129	1,848,847			1,884,129	1,848,847
Student activities	379,737	403,631			379,737	403,631
Capital outlay	0	22,903			0	22,903
Interest on long-term debt	454,617	420,883			454,617	420,883
Food service			591,555	618,062	591,555	618,062
Total Expenses	\$17,321,729	\$17,434,484	\$591,555	\$618,062	\$17,913,284	\$18,052,546
Increase in Net Assets	\$1,072,253	\$370,894	\$63,741	\$43,491	\$1,135,994	\$414,385

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

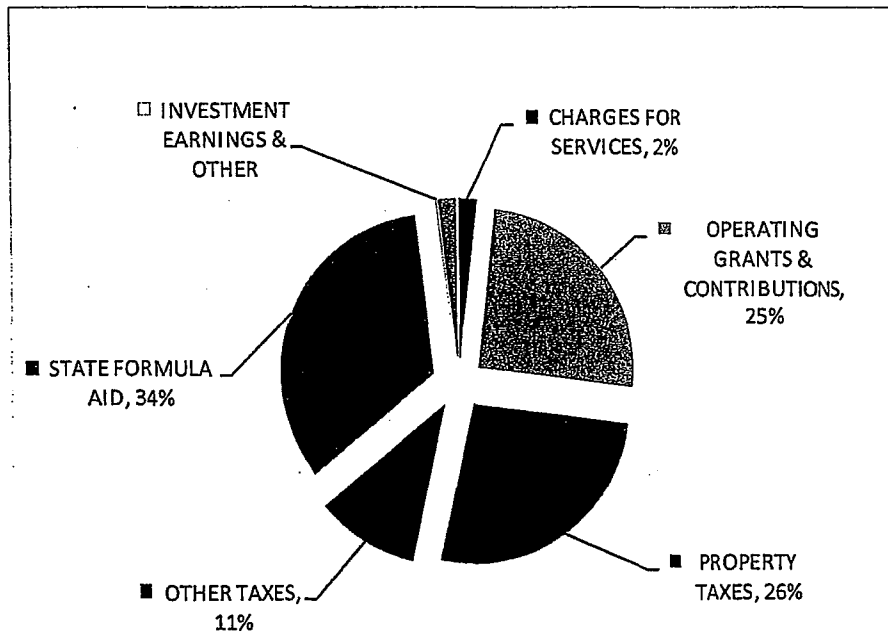
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE - continued

Revenues – The District's total revenues were \$18,466,931 for the year ended June 30, 2015. See Table A-2. Taxes and State Formula Aid made up 71% of total revenue for the year. Another 25% came from state and federal aid for specific programs (operating and capital grants) and the remainder from fees charged for services as well as other sources. See Figure A-1.

- Users of District programs paid \$336,157.
- The federal and state governments subsidized certain programs with grants and contributions totaling \$4,645,410.
- District taxpayers paid \$6,868,111.
- State taxpayers paid \$6,278,962.
- Investment earnings were \$17,609.
- Other revenue totaled \$320,682.

Figure A-1
Sources of Revenue for Fiscal Year 2014 – 2015



LINE MOUNTAIN SCHOOL DISTRICT

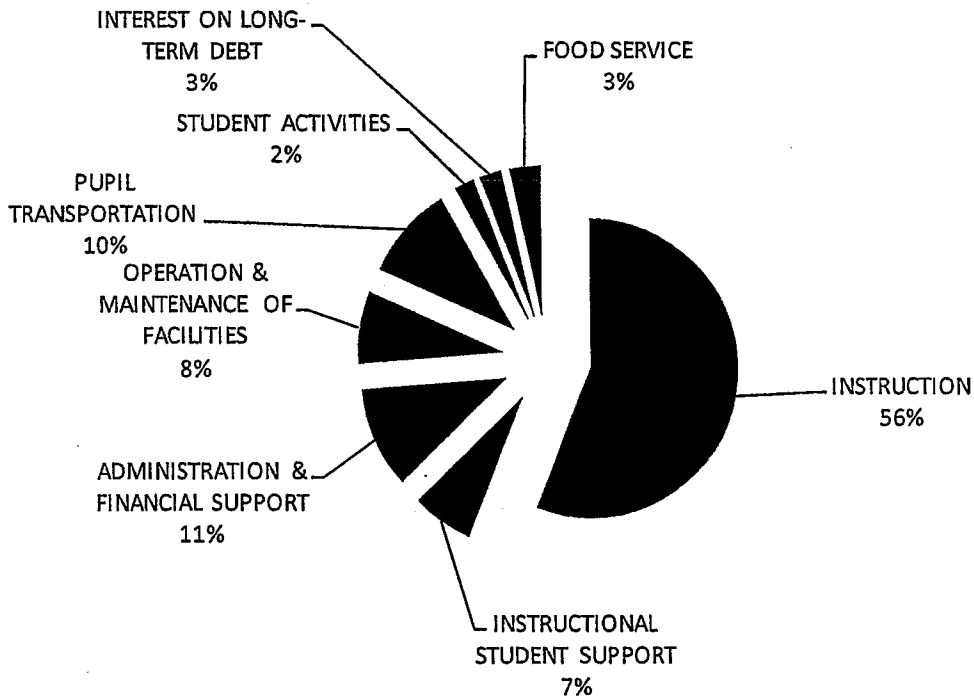
MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

Expenditures - The total cost of all programs and services was \$18,052,546. Instruction related expenses (Instruction, Instructional student support, Pupil transportation, and Student activities) accounted for 73% of the expenses. The remainder of the expenses were Administrative costs of 11%, Operation of facilities of 8%, Food service of 3%, and Other costs at 5%.

- Instruction related expenses were \$11,750,602.
- Administration and financial support expenses were \$1,976,902.
- The cost of operating and maintaining the facilities was \$3,263,194.
- Food service operations cost \$618,062.
- Interest on long-term debt obligations was \$443,786.

Figure A-2
Expenditures for Fiscal Year 2014 – 2015



LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

Table A-3
Line Mountain School District
Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2014	2015	Change	2014	2015	Change
Instruction	\$9,614,760	\$10,128,719	5.35%	\$7,640,564	\$8,007,862	4.81%
Instructional student support	1,180,536	1,218,252	3.19%	1,086,991	1,110,246	2.14%
Administrative & financial support	1,882,820	1,976,902	5.00%	1,791,712	1,867,476	4.23%
Operation & maintenance of facilities	1,925,130	1,414,347	-26.53%	1,831,550	1,301,951	-28.92%
Pupil transportation	1,884,129	1,848,847	-1.87%	488,599	288,357	-40.98%
Student activities	379,737	403,631	6.29%	350,993	374,142	6.60%
Community services			0.00%			0.00%
Interest on long-term debt	454,617	443,786	-2.38%	153,336	162,664	6.08%
Food service	591,555	618,062	4.48%	(63,668)	(41,719)	-34.47%
Total expenses	\$17,913,284	\$18,052,546	0.78%	\$13,280,077	\$13,070,979	-1.57%

The District's governmental funds reported a combined fund balance of \$5,803,604 which is a net increase of \$442,958 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2014 and June 30, 2015.

**LINE MOUNTAIN SCHOOL DISTRICT
GOVERNMENTAL FUNDS**

	Year Ended June 30, 2014	Year Ended June 30, 2015	Increase (Decrease)	Percent of Change
General Fund Restricted	34,106	55,779	\$21,673	63.55%
General Fund Committed	\$1,358,642	\$1,240,592	(\$118,050)	-8.69%
General Fund Unreserved	3,307,748	3,158,631	(149,117)	-4.51%
Capital Committed	374,152	142,288	(231,864)	-61.97%
Capital Projects Assigned	285,998	1,206,314	920,316	321.79%
Total Governmental Funds	5,360,646	5,803,604	442,958	7.63%

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

GENERAL FUND

GENERAL FUND

The following schedule provides a summary of General Fund revenues and Other Finance Sources.

	Year Ended June 30, 2014	Year Ended June 30, 2015	Increase (Decrease)	Percent of Change
Local sources				
Taxes	\$7,084,128	\$7,174,516	\$90,388	1.28%
Interest	7,735	16,137	8,402	108.63%
Other	870,106	271,277	(598,829)	-68.82%
State sources	9,902,628	10,223,518	320,890	3.24%
Federal sources	346,579	340,928	(5,651)	-1.63%
Total Revenue	18,211,176	18,026,377	-184,799	-1.01%
Other sources-net	8,287,777	16,012	(8,271,765)	
Total Revenue and Other Sources	\$26,498,953	\$18,042,389	-\$8,456,564	-31.91%

Total General Fund revenue, exclusive of Other sources-net, decreased by \$184,799 or 1.01% from the previous year. Tax collections increased \$90,388 – increase of 1.28% from the previous year. Other, decreased by \$598,829 due primary to a refund from Highmark Blue Shield which was accounted for in the 13-14 school year.

The increase in state funding \$320,890 is attributable to the state designating a portion of funds as federal appropriations which is driven by finance formula changes enacted by the state legislature to provide net funding increases for public school regular and special education programs.

Other sources-net decreased due to the refinancing of General Obligation Bond Series A of 2014 for 6,250,000 and Series B of 2014 for 1,795,000 which occurred in the 13-14 school year.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

GENERAL FUND – continued

The following schedule provides a summary of General Fund expenditures:

GENERAL FUND – continued

The following schedule provides a summary of General Fund expenditures:

	Year Ended June 30, 2014	Year Ended June 30, 2015	Increase (Decrease)	Percent of Change
Salaries	\$7,077,578	\$7,048,335	(29,242)	-0.41%
Employee benefits	3,651,596	4,056,064	404,468	11.08%
Purchased services	4,174,569	3,833,183	(341,386)	-8.18%
Supplies	381,482	646,269	264,787	69.41%
Property	134,924	99,301	(35,623)	-26.40%
Other	908,348	2,604,731	1,696,383	186.75%
Capital outlay	0	0	0	0.00%
Debt service	8,885,000	0	(8,885,000)	-100.00%
Interfund Transfers Out	0	0	0	
Total Expenditures	\$25,213,497	\$18,287,884	-\$6,925,613	-27.47%

Total General Fund expenditures decreased by \$6,925,613 from the previous year. Salaries decreased by \$29,242 or .41% due to staff changes and no salary increases because of ongoing contract settlement with the teachers. Employee benefits increased \$404,468 or 11.08% due to employees retirement fund (PSERS) and medical insurance increases. Purchased service cost (transportation, heating, tuition payments and special education) decreased by \$341,386. Instructional and maintenance supplies increased by \$264,787. Property decreased by a total of \$35,623 due to the building renovations. Debt service costs decreased mainly due to the refinancing of General Obligation Bond Series A of 2014 in the amount of 6,250,000 and Series B of 2014 in the amount of 1,795,000 which occurred in the 13-14 school year.

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

General Fund – continued

General Fund Budget

Over the course of the year, the District reviews expenditures and makes appropriate adjustments to cover unexpected expenditures in the annual operating budget due to increases in appropriations of significant budgeted costs.

CAPITAL ASSETS

The District has invested \$50,135,741 in a broad range of capital assets, including land, buildings, athletic facilities, furniture, computers, audio-visual equipment. Accumulated depreciation on these assets was \$14,974,073 at June 30, 2015. Depreciation expense for the year was \$1,298,137.

Current year purchases of capital assets totaled \$330,159. Detailed information concerning capital assets can be found in Notes to Financial Statements, Note 6.

**Table 4-A
LINE MOUNTAIN SCHOOL DISTRICT
CAPITAL ASSETS**

	Year Ended June 30, 2014	Year Ended June 30, 2015	Increase (Decrease)	Percent of Change
Governmental Activities:				
Land	\$410,066	\$410,066	0	0.00%
Buildings and Improvements	42,430,042	42,492,838	62,796	0.15%
Less Accumulated Depr.	(8,526,291)	(9,544,355)	(1,018,064)	11.94%
Furniture and Equipment	6,618,454	6,844,398	225,944	3.41%
Less Accumulated Depr.	(4,859,781)	(5,130,081)	(270,300)	5.56%
Construction in Process	0	0	0	100.00%
Governmental Activities (Net)	\$36,072,490	\$35,072,866	(999,624)	-2.77%
Business-type Activities:				
Furniture and Equipment	\$347,020	\$388,439	41,419	11.94%
Less Accumulated Depr.	(289,864)	(299,637)	(9,773)	3.37%
Business-type Activities (Net)	\$57,156	\$88,802	31,646	55.37%

LINE MOUNTAIN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION & ANALYSIS – continued

FOR THE YEAR ENDED JUNE 30, 2015

LONG-TERM LIABILITIES

At year-end, the District had \$27,550,000 in general obligation bonds and \$507,450 of accrued compensated absences plus Post Employment Benefits and 22,086,000 Net Pension Liability. See Notes to Financial Statements, Note 8, and Table A-5.

**Table A-5
Outstanding Long-term Liabilities**

	Year Ended June 30, 2014	Year Ended June 30, 2015	Increase (Decrease)	Percent of Change
General Obligation Bonds	\$28,355,000	\$27,550,000	(\$805,000)	-2.84%
Accumulated Compensated Absences	308,859	307,458	(1,401)	-0.45%
Post Employment Benefits	198,561	204,896	6,335	3.19%
Net Pension Liability	22,474,000	22,086,000	(388,000)	-1.73%
Total	\$51,336,420	\$50,148,354	(\$1,188,066)	-2.31%

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

There are several major factors that will have a significant influence on the District's financial future. During the 2007-08 fiscal year, Act 1 of 2006 was passed which limits future real estate tax increases to an inflation factor each year. The District plans to raise real estate taxes to the Act 1 index amount in order to cover decreasing state funding and future renovation projects.

The Public School Employee's Retirement System funding crisis will make future fiscal years challenging. PSERS has increased 21% for the 15-16 school year with a projected increase of 10% for the 16-17 school year. Current projections of state subsidies reflect significant decreases that will adversely affect the educational process statewide. Line Mountain is preparing for this by reviewing all expenditures for upcoming fiscal years. Health Care with Highmark Blue Shield anticipates an overall increase between 15 to 20 percent.

LINE MOUNTAIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS – continued
FOR THE YEAR ENDED JUNE 30, 2015

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions concerning this report, or require any additional financial information, please contact the Line Mountain School District, Business Office, 185 Line Mountain Road, Herndon, PA 17830.

LINE MOUNTAIN SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,264,830	\$ 15,378	\$ 2,280,208
Investments	4,148,973	215,725	4,364,698
Taxes Receivable, Net	632,204	-	632,204
Intergovernmental Receivables	260,069	14,181	274,250
Other Receivables	4,817	3,178	7,995
Inventories	-	1,154	1,154
Prepaid Expenses	655	-	655
Capital Assets:			
Land	410,066	-	410,066
Building and Building Improvements, Net	32,948,483	-	32,948,483
Furniture and Equipment, Net	<u>1,714,317</u>	<u>88,802</u>	<u>1,803,119</u>
Total Capital Assets	<u>35,072,866</u>	<u>88,802</u>	<u>35,161,668</u>
TOTAL ASSETS	<u>\$ 42,384,414</u>	<u>\$ 338,418</u>	<u>\$ 42,722,832</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to Pension Plan in Current Year	\$ 1,431,000	\$ -	\$ 1,431,000
Pension Deferral	231,417	-	231,417
Deferred Gain on Refinancing	<u>872,845</u>	<u>-</u>	<u>872,845</u>
Total Deferred Outflows of Resources	<u>\$ 2,535,262</u>	<u>\$ -</u>	<u>\$ 2,535,262</u>

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
LIABILITIES			
Accounts Payable	\$ 288,907	\$ 19,952	\$ 308,859
Accrued Salaries and Benefits	911,473	10,584	922,057
Other Current Liabilities	96,334	8,827	105,161
Long-Term Liabilities			
Due Within One Year:			
Bonds Payable	1,125,000	-	1,125,000
Due in More Than One Year:			
Bonds Payable	26,425,000	-	26,425,000
Compensated Absences	307,458	1,000	308,458
Other Postemployment Benefits	204,896	-	204,896
Net Pension Liability	<u>22,086,000</u>	<u>-</u>	<u>22,086,000</u>
TOTAL LIABILITIES	<u>\$ 51,445,068</u>	<u>\$ 40,363</u>	<u>\$ 51,485,431</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferral	\$ 1,264,484	\$ -	\$ 1,264,484
Deferred Donated Commodities	-	1,154	1,154
Deferred Bond Premiums	<u>315,063</u>	<u>-</u>	<u>315,063</u>
Total Deferred Inflows of Resources	<u>\$ 1,579,547</u>	<u>\$ 1,154</u>	<u>\$ 1,580,701</u>
NET POSITION			
Net Investment in Capital Assets	\$ 7,522,866	\$ 88,802	\$ 7,611,668
Restricted	55,779	-	55,779
Unrestricted	<u>(15,683,584)</u>	<u>208,099</u>	<u>(15,475,485)</u>
TOTAL NET POSITION	<u>\$ (8,104,939)</u>	<u>\$ 296,901</u>	<u>\$ (7,808,038)</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	PROGRAM	
	Expenses	Charges for Services
<u>Governmental Activities:</u>		
Instruction	\$ 10,128,719	\$ 6,813
Instructional Student Support	1,218,252	-
Administrative & Financial Support Services	1,976,902	-
Operation & Maintenance of Plant Services	1,414,347	-
Pupil Transportation	1,848,847	-
Student Activities	403,631	29,489
Capital Outlay	22,903	-
Interest on Long-Term Debt	420,883	-
Total Governmental Activities	<u>17,434,484</u>	<u>36,302</u>
<u>Business-Type Activities:</u>		
Food Services	<u>618,062</u>	<u>299,855</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 18,052,546</u>	<u>\$ 336,157</u>

General Revenues:

Income:

Transfers In (Out)

Taxes:

Property Taxes, Levied for General Purposes, Net
Earned Income Tax, Net

Public Utility, Realty, Transfer and Miscellaneous
Taxes Levied for General Purposes, Net

Grants, Subsidies & Contributions Not Restricted

Investment Earnings

Miscellaneous Income

Total General Revenues and Special Items

Change in Net Position

Net Position - July 1, 2014

Prior Period Adjustment

Net Position - June 30, 2015

REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business - Type Activities	Total
\$ -	\$ 2,114,044	\$ (8,007,862)	\$ -	\$ (8,007,862)
-	108,006	(1,110,246)	-	(1,110,246)
-	109,426	(1,867,476)	-	(1,867,476)
-	112,396	(1,301,951)	-	(1,301,951)
-	1,560,490	(288,357)	-	(288,357)
-	-	(374,142)	-	(374,142)
-	-	(22,903)	-	(22,903)
281,122	-	(139,761)	-	(139,761)
<u>281,122</u>	<u>4,004,362</u>	<u>(13,112,698)</u>	<u>-</u>	<u>(13,112,698)</u>
-	359,926	-	41,719	41,719
<u>\$ 281,122</u>	<u>\$ 4,364,288</u>	<u>(13,112,698)</u>	<u>41,719</u>	<u>(13,070,979)</u>
		(395)	395	-
		4,878,320	-	4,878,320
		807,299	-	807,299
		1,182,492	-	1,182,492
		6,278,962	-	6,278,962
		16,232	1,377	17,609
		320,682	-	320,682
		<u>13,483,592</u>	<u>1,772</u>	<u>13,485,364</u>
		370,894	43,491	414,385
		13,998,167	253,410	14,251,577
		(22,474,000)	-	(22,474,000)
		<u>\$ (8,104,939)</u>	<u>\$ 296,901</u>	<u>\$ (7,808,038)</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2015

	<u>General Fund</u>	<u>Capital Projects Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,264,830	\$ -	\$ 2,264,830
Investments	2,695,176	1,453,797	4,148,973
Taxes Receivable, Net	632,204	-	632,204
Intergovernmental Receivables	260,069	-	260,069
Other Receivables	4,817	-	4,817
Prepaid Expenses	655	-	655
TOTAL ASSETS	<u>\$ 5,857,751</u>	<u>\$ 1,453,797</u>	<u>\$ 7,311,548</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<u>Liabilities:</u>			
Accounts Payable	\$ 183,712	\$ 105,195	\$ 288,907
Accrued Salaries and Benefits	911,473	-	911,473
Total Liabilities	<u>1,095,185</u>	<u>105,195</u>	<u>1,200,380</u>
<u>Deferred Inflows of Resources:</u>			
Unavailable Revenue - Property Taxes	307,564	-	307,564
Total Deferred Inflows of Resources	<u>307,564</u>	<u>-</u>	<u>307,564</u>
<u>Fund Balances:</u>			
Non-spendable	-	-	-
Restricted	55,779	-	55,779
Committed	1,240,592	142,288	1,382,880
Assigned	-	1,206,314	1,206,314
Unassigned	3,158,631	-	3,158,631
Total Fund Balances	<u>4,455,002</u>	<u>1,348,602</u>	<u>5,803,604</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,857,751</u>	<u>\$ 1,453,797</u>	<u>\$ 7,311,548</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 5,803,604

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 \$49,337,236 and the accumulated depreciation is \$14,674,436. 35,072,866

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

Bonds Payable	(27,550,000)	
Compensated Absences	(307,458)	
Postemployment Benefits	(204,896)	
Net Pension Liability	<u>(22,086,000)</u>	(50,148,354)

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 307,564

Governmental funds report debt issuance premiums and discounts as another financing source or use at the time of issuance. Premiums, discounts, and deferred charges are reported as an unamortized asset or liability in the District-wide financial statements. 557,782

Governmental funds do not report a liability for accrued interest until due and payable. (96,334)

Contributions to the pension plan and pension deferrals are deferred outflows of resources on the statement of net position but are not reported in the governmental funds. 1,662,417

Pension deferrals are deferred inflows of resources on the statement of net position but are not reported in the governmental funds. (1,264,484)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ (8,104,939)

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Capital Projects Funds	Total Governmental Funds
REVENUES			
Local Revenues	\$ 7,461,931	\$ 95	\$ 7,462,026
State Program Revenues	10,223,518	-	10,223,518
Federal Program Revenues	340,928	-	340,928
Total Revenues	18,026,377	95	18,026,472
EXPENDITURES			
Instruction	9,365,529	-	9,365,529
Support Services	5,968,771	-	5,968,771
Operation of Non-Instruction Services	373,033	-	373,033
Capital Outlay	-	311,643	311,643
Debt Services	1,580,155	-	1,580,155
Total Expenditures	17,287,488	311,643	17,599,131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	738,889	(311,548)	427,341
OTHER FINANCING SOURCES (USES)			
Fund Transfers	(1,000,395)	1,000,000	(395)
Sale of Fixed Assets	16,012	-	16,012
Total Other Financing Sources (Uses)	(984,383)	1,000,000	15,617
NET CHANGES IN FUND BALANCE	(245,494)	688,452	442,958
FUND BALANCE- JULY 1, 2014	4,700,496	660,150	5,360,646
FUND BALANCE- JUNE 30, 2015	\$ 4,455,002	\$ 1,348,602	\$ 5,803,604

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 to the Statement of Activities
 For the Year Ended June 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 442,958
Governmental funds report capital outlays as expenditures. 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 current period.	(999,624)
The issuance of long-term debt provides current financial resources to governmental fund, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect on these differences in the treatment of long-term debt and related items.	805,000
In the Statement of Activities, interest is accrued on outstanding bonds, whereas, in governmental funds, an interest expenditure is reported when due.	1,120
Because some property and earned income taxes will not be collected for several months after the District's year-end, they are not considered as available revenues in the governmental funds.	(306,407)
Deferred gains on bond refunding and original issue discounts are capitalized and amortized.	442,714
Decrease in proportionate share of collective net pension liability does not require the use of current financial resources and is not reported in the governmental funds.	(9,933)
Postemployment Benefit Expense	(6,335)
Change in Compensated Absences	<u>1,401</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>370,894</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds
For the Year Ended June 30, 2015

	<u>GENERAL FUND</u>			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	
REVENUES				
Local Revenues	\$ 7,083,195	\$ 7,083,195	\$ 7,461,931	\$ 378,736
State Revenues	10,179,712	10,179,712	10,223,518	43,806
Federal Revenues	358,468	358,468	340,928	(17,540)
Total Revenues	<u>17,621,375</u>	<u>17,621,375</u>	<u>18,026,377</u>	<u>405,002</u>
EXPENDITURES				
Regular Programs	7,243,944	7,244,869	6,736,205	508,664
Special Programs	1,811,603	1,811,603	2,044,739	(233,136)
Vocational Programs	486,149	486,149	459,077	27,072
Other Instructional Programs	196,556	196,556	125,508	71,048
Pupil Personnel Services	597,552	598,202	554,298	43,904
Instructional Staff Services	399,002	399,458	343,082	56,376
Administrative Services	1,074,820	1,077,639	1,270,426	(192,787)
Pupil Health	221,953	222,003	228,522	(6,519)
Business Services	330,535	330,535	317,781	12,754
Operation and Maintenance of Plant Services	1,377,192	1,377,192	1,271,252	105,940
Student Transportation Services	1,669,296	1,669,296	1,744,575	(75,279)
Central and Other Support Services	270,005	265,105	238,835	26,270
Student Activities	490,356	490,356	373,033	117,323
Building Improvements	-	-	-	-
Debt Services (Principal and Interest)	1,580,155	1,580,155	1,580,155	-
Total Expenditures	<u>17,749,118</u>	<u>17,749,118</u>	<u>17,287,488</u>	<u>461,630</u>
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	<u>(127,743)</u>	<u>(127,743)</u>	<u>738,889</u>	<u>866,632</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances, Budget and Actual
General and Special Revenue Funds - continued
For the Year Ended June 30, 2015

	<u>GENERAL FUND</u>			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Budgetary Basis)	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Fund Transfers	(350,000)	(350,000)	(1,000,395)	(650,395)
Budgetary Reserve	(771,710)	(771,710)	-	771,710
Sale of Fixed Assets	-	-	16,012	16,012
Total Other Financing Sources (Uses)	<u>(1,121,710)</u>	<u>(1,121,710)</u>	<u>(984,383)</u>	<u>137,327</u>
NET CHANGE IN FUND BALANCE	(1,249,453)	(1,249,453)	(245,494)	1,003,959
FUND BALANCE - JULY 1, 2014	<u>4,700,496</u>	<u>4,700,496</u>	<u>4,700,496</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2015	<u>\$ 3,451,043</u>	<u>\$ 3,451,043</u>	<u>\$ 4,455,002</u>	<u>\$ 1,003,959</u>

The School District does not formally adopt a budget for its Special Revenue Funds.

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT

Statement of Net Position

Proprietary Fund

June 30, 2015

	<u>Enterprise Fund Food Service</u>
ASSETS	
<u>Current Assets</u>	
Cash	\$ 15,378
Investments	215,725
Intergovernmental Receivables	14,181
Other Receivables	3,178
Inventories	1,154
Total Current Assets	<u>249,616</u>
<u>Noncurrent Assets</u>	
Furniture and Equipment, Net	88,802
Total Noncurrent Assets	<u>88,802</u>
Total Assets	<u>338,418</u>
LIABILITIES	
<u>Current Liabilities</u>	
Accounts Payable	19,952
Accrued Salaries and Benefits	10,584
Other Current Liabilities	8,827
Total Current Liabilities	<u>39,363</u>
<u>Noncurrent Liabilities</u>	
Compensated Absences	1,000
Total Liabilities	<u>40,363</u>
<u>Deferred Inflows of Resources</u>	
Deferred Donated Commodities	1,154
Total Deferred Inflows of Resources	<u>1,154</u>
TOTAL ASSETS LESS LIABILITIES AND DEFERRED INFLOWS	<u>\$ 296,901</u>
NET POSITION	
Net Investment in Capital Assets	\$ 88,802
Unrestricted	<u>208,099</u>
TOTAL NET POSITION	<u>\$ 296,901</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2015

	Enterprise Fund <u>Food Service</u>
OPERATING REVENUES	
Food Service Revenue	\$ 299,584
Other Operating Revenue	<u>271</u>
Total Operating Revenues	<u>299,855</u>
 OPERATING EXPENSES	
Salaries	139,266
Employee Benefits	43,196
Purchased Professional and Technical Services	135
Purchased Property	2,040
Other Purchased Service	364,504
Supplies	59,148
Depreciation Expense	<u>9,773</u>
Total Operating Expenditures	<u>618,062</u>
 OPERATING LOSS	 <u>(318,207)</u>
 NONOPERATING REVENUES (EXPENSES)	
Transfer from General Fund	395
Earnings on Investments	1,377
State Sources	42,769
Federal Sources	<u>317,157</u>
Total Nonoperating Revenues (Expenses)	<u>361,698</u>
 CHANGES IN NET POSITION	 43,491
 TOTAL NET POSITION - JULY 1, 2014	 <u>253,410</u>
 TOTAL NET POSITION - JUNE 30, 2015	 <u>\$ 296,901</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Statements of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2015

	Enterprise Fund <u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 300,180
Cash Received from Other Operating Revenues	271
Cash Payments to Employees for Services	(183,901)
Cash Payments to Suppliers for Goods and Services	<u>(423,479)</u>
Net Cash Used for Operating Activities	<u>(306,929)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from General Fund	395
State Sources	44,483
Federal Sources	<u>336,692</u>
Net Cash Provided by Noncapital Financing Activities	<u>381,570</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Fixed Assets	<u>(41,419)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(41,419)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(36,506)
Earnings on Investments	<u>1,377</u>
Net Cash Used by Investing Activities	<u>(35,129)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,907)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>17,285</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 15,378</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
 Statements of Cash Flows - continued
 Proprietary Fund
 For the Year Ended June 30, 2015

	Enterprise Fund <u>Food Service</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (318,207)</u>
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation Expense	9,773
(Increase) Decrease in Other Receivable	(30)
(Increase) Decrease in Inventories	4,965
Increase (Decrease) in Accounts Payable	2,348
Increase (Decrease) in Accrued Salaries/Benefits	(1,126)
Increase (Decrease) in Other Liabilities	626
Increase (Decrease) in Deferred Revenues	(4,965)
Increase (Decrease) in Compensated Absences	(313)
Total Adjustments	<u>11,278</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (306,929)</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

	<u>Private Purpose Trusts</u>	<u>Student Activity</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and Cash Equivalents	<u>\$ 43,599</u>	<u>\$ 67,511</u>	<u>\$111,110</u>
Total Assets	<u>\$ 43,599</u>	<u>\$ 67,511</u>	<u>\$111,110</u>
LIABILITIES			
Due to Students	<u>\$ -</u>	<u>\$ 67,511</u>	<u>\$ 67,511</u>
Total Liabilities	<u>-</u>	<u>67,511</u>	<u>67,511</u>
TOTAL ASSETS LESS LIABILITIES	<u>\$ 43,599</u>	<u>\$ -</u>	<u>\$ 43,599</u>
NET POSITION			
Net Position Held in Trust for Scholarships	<u>\$ 43,599</u>		<u>\$ 43,599</u>
TOTAL NET POSITION	<u>\$ 43,599</u>		<u>\$ 43,599</u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and Contributions	\$ 25,168
Investment Income	<u>17</u>
Total Additions	<u>25,185</u>
DEDUCTIONS:	
Scholarships Awarded	<u>16,800</u>
Total Deductions	<u>16,800</u>
CHANGE IN NET POSITION	8,385
TOTAL NET POSITION - JULY 1, 2014	<u>35,214</u>
TOTAL NET POSITION - JUNE 30, 2015	<u><u>\$ 43,599</u></u>

The accompanying notes are an integral part of these financial statements.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Basis of Presentation

In June 2011, the GASB issued GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement places deferred outflows of resources in a separate section following assets, while deferred inflows of resources are reported in a separate section following liabilities. Therefore, assets plus deferred outflows of resources less liabilities and deferred inflows of resources equal net position. The exception is for governmental funds, where the format would be assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources plus fund balance.

In March 2012, GASB quickly followed with Statement No. 65 *Items Previously Reported as Assets and Liabilities*, which amends the financial statement classification of certain items to now be included in the deferred inflows and outflows categories that changed the structure of the balance sheet in Statement No. 63.

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pension* - an amendment to GASB 27. This statement was issued to improve accounting and financial reporting by state and local governments for pensions.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the School District is considered a "primary government". The School District is governed by a nine member board to which each member is elected by the citizens of each defined district.

For financial reporting purposes, Line Mountain School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

B. Financial Reporting Entity - continued

The School District participates in a jointly governed organization. The organization is the Northumberland County Career and Technology Center. The organization is presented in Note 11 to the basic financial statements.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net Positions is reported in three categories:

1. Net Investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net positions result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net positions consist of net positions not meeting the definition of the two preceding categories. Unrestricted net positions often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those 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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

C. Government-wide and Fund Financial Statements - continued

Fund financial statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The School District reports the following major governmental funds:

General Fund - This is the School District's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - This is used to account for financial resources to be used for capital improvements, and the construction, replacements, additions, and maintenance to facilities, and purchase of school buses.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The School District reports the following major proprietary fund:

The District's proprietary fund is the Cafeteria Fund. This fund is used to account for the cafeterias of the District.

The School District also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

SCHOLARSHIP FUND
ACTIVITY FUND

Additionally, the school district reports the following fund types:

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

C. Government-wide and Fund Financial Statements - continued

PROPRIETARY FUNDS

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the School District has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary and Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Measurable means knowing or being able to reasonably estimate the amount. 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 after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Property taxes are levied by the School District upon an assessed value times an approved millage rate. See Note 3 for further details.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect on inter-fund activity has been eliminated from the government-wide statements.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2014 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2009, issued by the U.S. Department of Education.

E. Basis of Accounting

1. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

E. Basis of Accounting - continued

1. Revenues - Exchange and Nonexchange Transactions - continued

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditures requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal yearend: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

2. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Process

The operating budget is prepared in accordance with generally accepted accounting principles. An annual budget prepared by function and object is formally adopted for the General Fund. Project-length financial plans are used for Capital Projects Fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified by the Business Manager. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended budget issued during the fiscal year 2015.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

F. Budgetary Process - continued

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

G. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are reported within committed or assigned fund balances.

H. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Investments consist of repurchase agreements and funds invested in the PA Treasury Investment Program and are stated at cost, which approximates market value. This is in accordance with Section 440.1 of the School Code.

I. Taxes Receivable and Deferred Inflows

Taxes receivable consist of delinquent real estate taxes due at June 30, 2015, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

Deferred revenue consists of the amount of taxes receivable at June 30, 2015, less the amount actually collected and remitted to the School District in July and August 2015.

J. Due From/To Other Funds

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

K. Inventories

On government-wide financial statements, inventories are presented at cost 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.

A physical inventory of the Food Service Fund, food and supplies, was taken as of June 30, 2015. The inventory consisted of government donated commodities which were valued using USDA values, and other cafeteria supplies valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2015 are reported as deferred revenue.

L. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) 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: equipment - \$1,500, vehicles - \$10,000, and building improvements - \$25,000, and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with a 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.

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.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

L. Capital Assets - continued

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

<u>Description</u>	<u>Estimated Lives</u>
Land	Not Depreciated
Land Improvements	12 years
Buildings and Building Improvements	40 years
Vehicles	5 - 15 years
Furniture and Equipment	12 years

M. Long-Term Liabilities

In the government-wide financial statements and proprietary funds 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.

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

N. Estimates

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

O. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

O. Fund Balances - continued

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the approval of a resolution for a specific purpose.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Business Manager pursuant to authorization established by the board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

O. Fund Balances - continued

Governmental Fund Balances

Governmental Fund Balances consist of the following at June 30, 2015:

	General Fund	Capital Projects Fund	Total
Non Spendable:	\$ -	\$ -	\$ -
Restricted:			
Access Funds	55,779	-	55,779
Committed:			
Capital Improvements	-	142,288	142,288
Pension Obligation	330,000	-	330,000
Lease Obligations	60,592	-	60,592
Medical Insurance	850,000	-	850,000
Assigned:			
Capital Improvements	-	1,206,314	1,206,314
Unassigned:			
Unassigned	3,158,631	-	3,158,631
Total Fund Balances	\$ 4,455,002	\$ 1,348,602	\$ 5,803,604

Although the board restricts the use of the Capital Projects Fund assets for construction, additions and equipment, Fixed Assets can be purchased out of the General Fund if the items are budgeted for in the annual budget.

P. Definition of Cash and Cash Equivalents

For the purpose of the statement of cash flows, the term cash and cash equivalents includes cash in bank and short-term, highly liquid investments with a maturity of ninety days or less at the date of purchase.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

Q. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and the various rates stated in the labor contracts. The School District records a liability for accumulated unused sick leave for all employees.

The entire compensation absence liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

R. Other Post-Employment Benefits

Substantially all employees of the School District are covered under one of two currently applicable labor agreements. In addition to the pension benefits described in Note 9, the following post-employment benefits are mandated by these labor agreements.

Instructional employees who have served at least twenty-five years in the Line Mountain School District, and who are eligible for normal retirement, the "window" or disability retirement from the field of public education under the PSERS will be granted \$65 multiplied by the total number of unused sick days accumulated by the employee. Any instructional employees with 10 years in the Line Mountain School district are entitled to \$20 for unused sick days up to 150 days and \$30 for unused sick days above 150 days.

Noninstructional employees, who have served in the Line Mountain School District, will be granted a retirement severance at the time of retirement equal to the sum of \$25 per day for each day of accumulated sick days.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

T. Operating and Nonoperating Revenues

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

U. Prior Period Adjustment

During the year ended June 30, 2015, the School District implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement 27. This statement was issued to improve accounting and financial reporting by state and local governments for pensions. As a result of adopting GASB 68, the District has restated the beginning net position in the government wide statement of net position as of July 1, 2014 by \$22,474,000. The decrease results from the District recognizing its proportionate share of the collective net pension liability effective July 1, 2014.

V. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies – continued

V. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the Statement of Net Position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has two types of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the first item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, Deferred Bond Premiums on debt is deferred and amortized over the life of the debt.

Note 2 - Legal Compliance Budgets

All principals at each educational level of the School District submit requests for appropriation to the superintendent and business administrator. A tentative budget is prepared. It includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The proposed budget is presented to the School Board at public meetings for their review.

Tentative adoption of the budget must be made 30 days prior to final adoption to allow for public review. Final adoption of the budget must occur on or before June 30. Budget transfers are typically made by the business administrator at year end with Board approval.

Note 3 - Real Estate Tax and Deferred Revenue

Based upon assessments provided by the County, the School District bills and collects its own property taxes. The School District tax rate for the year ended June 30, 2015 was 70.00 mills for Northumberland County residents as levied by the School Board. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	-Levy date
July 1 - August 31	-2% discount period
September 1 - October 31	-Face payment period
November 1 - December 31	-10% penalty period
December 31	- Delinquent Date

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 3 - Real Estate Tax and Deferred Revenue - continued

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

The balances at June 30, 2015 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ <u>1,329,919</u>	\$ <u>(697,715)</u>	\$ <u>632,204</u>	\$ <u>324,610</u>	\$ <u>307,564</u>

The deferred revenue balance in the General Fund is \$307,564.

Note 4 - Due from Other Governments

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

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal Subsidies	\$ 168,665	\$ 13,189	\$ 181,854
State Subsidies	91,404	992	92,396
Local Subsidies	<u>4,817</u>	<u>3,178</u>	<u>7,995</u>
Total	\$ <u>264,886</u>	\$ <u>17,359</u>	\$ <u>282,245</u>

Note 5 - Cash and Cash Equivalents and Investments

The School District's cash deposits and investments are restricted by statute to United States Treasury bills, short-term obligations of the United States Government and certain obligations of the United States, Commonwealth of Pennsylvania or its political subdivisions which are backed by the full faith and credit of those governmental entities. Additionally, the School District may invest in shares of a properly registered investment fund whose investments consist of the securities listed above. Deposits in banks and other financial institutions must be insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund. Deposits in excess of the maximum insurable amounts must be collateralized by securities held by that institution, in accordance with the provisions of law. Pool pledging in accordance with P.L. 281, No. 72, (Act 72), is permissible.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 5 - Cash and Cash Equivalents and Investments - continued

Risk Categories - Deposits

All deposits are carried at cost. There are three categories of credit risk that may apply to the School District's deposits.

1. Insured or collateralized with securities held by the School District or by its agent in the School District's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.
3. Uncollateralized.

Balances held in each category at June 30, 2015, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Credit Risk</u>
Insured Deposits (FDIC)	\$ 318,401	\$ 321,894	1
Uninsured Deposits:			
Collateral held by Federal Reserve Bank in School District's Name	-	-	2
Uncollateralized	<u>2,072,917</u>	<u>2,075,275</u>	3
Total Deposits	<u>\$ 2,391,318</u>	<u>\$ 2,397,169</u>	

The amounts listed as uncollateralized have been secured by pool pledging in accordance with Act 72.

Risk Categories - Investments

All investments are stated at cost, which approximate fair value. There are three categories of credit risk that may apply to the School District's investments.

1. Insured or registered, or securities held by the School District or its agent in the School District's name.
2. Uninsured or unregistered, with securities held by the counter party's trust department or agent in the School District's name.
3. Uninsured and unregistered, with securities held by the counter party, or by the counter party's trust department or agent, but not in the School District's name.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 5 - Cash and Cash Equivalents and Investments - continued

Risk Categories - Investments - continued

Balances held in each investment category at June 30, 2015, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Credit Risk</u>
Investments in Pools Managed by other Governments	\$ <u>4,364,699</u>	\$ <u>4,621,273</u>	1
Total Investments	\$ <u>4,364,699</u>	\$ <u>4,621,273</u>	

Concentration of Credit Risk - The school places no limit on the amount the School may invest in any one user. Certificates of deposit and pooled pledged accounts comprise 100% of the School's total investments.

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

Credit Risk - The School has no investment policy that would limit its investment choices to certain credit ratings. The certificates and pooled pledged accounts are not rated.

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 6 – Changes in Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENT ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 410,066	\$ -	\$ -	\$ 410,066
Total Capital Assets Not Being Depreciated	<u>410,066</u>	<u>-</u>	<u>-</u>	<u>410,066</u>
Capital Assets Being Depreciated				
Buildings and Improvements	42,430,042	62,796	-	42,492,838
Furniture and Equipment	6,618,454	225,944	-	6,844,398
Total Assets Being Depreciated	<u>49,048,496</u>	<u>288,740</u>	<u>-</u>	<u>49,337,236</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,526,291	1,018,064	-	9,544,355
Furniture and Equipment	4,859,781	270,300	-	5,130,081
Total Accumulated Depreciation	<u>13,386,072</u>	<u>1,288,364</u>	<u>-</u>	<u>14,674,436</u>
Total Capital Assets Being Depreciated, Net	<u>35,662,424</u>	<u>(999,624)</u>	<u>-</u>	<u>34,662,800</u>
Governmental Activities, Capital Assets, Net	<u>\$ 36,072,490</u>	<u>\$ (999,624)</u>	<u>\$ -</u>	<u>\$ 35,072,866</u>

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 6 – Changes in Capital Assets - continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
BUSINESS - TYPE ACTIVITIES				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 347,020	\$ 41,419	\$ -	\$388,439
Total Capital Assets, Being Depreciated	<u>347,020</u>	<u>41,419</u>	<u>-</u>	<u>388,439</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	289,864	9,773	-	299,637
Total Accumulated Depreciation	<u>289,864</u>	<u>9,773</u>	<u>-</u>	<u>299,637</u>
Total Capital Assets Being Depreciated, Net	<u>57,156</u>	<u>31,646</u>	<u>-</u>	<u>88,802</u>
Business - Type Activities Capital Assets, Net	<u>\$ 57,156</u>	<u>\$ 31,646</u>	<u>\$ -</u>	<u>\$ 88,802</u>

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

GOVERNMENT ACTIVITIES

Instruction:

Regular	\$ 552,524
Special	215,665

Support Services:

Pupil	64,209
Instructional Staff	28,141
Administration	149,860
Pupil Transportation	104,272
Operation and Maintenance Plant	143,095

Operation of Noninstructional Services:

Student Activities	<u>30,598</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,288,364</u>

BUSINESS - TYPE ACTIVITIES

Food Service Fund	<u>\$ 9,773</u>
Total Depreciation Expense - Business - Type Activities	<u>\$ 9,773</u>

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 7 – Operating Lease Activity

In 2013, the School District entered into a copier equipment lease agreement with Ricoh. The agreement qualifies as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease is a five year contract, commencing December 2013 to December 2018 with a fee of \$56,940. Rental expense for the year ended June 30, 2015 was \$11,388.

The future minimum lease payments over the next five years are shown below:

	<u>Total</u>
June 30, 2016	\$ 11,388
June 30, 2017	11,388
June 30, 2018	11,388
June 30, 2019	4,745
June 30, 2020	<u>-0-</u>
Total	\$ <u>38,909</u>

In 2015, the School District entered into a copier equipment lease agreement with Toshiba. The agreement qualifies as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease is a five year contract, commencing June 2015 to June 2020 with a fee of \$9,185. Rental expense for the year ended June 30, 2015 was \$-0-.

The future minimum lease payments over the next five years are shown below:

	<u>Total</u>
June 30, 2016	\$ 1,837
June 30, 2017	1,837
June 30, 2018	1,837
June 30, 2019	1,837
June 30, 2020	<u>1,837</u>
Total	\$ <u>9,185</u>

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 7 - Operating Lease Activity - continued

In 2010, the School District entered into a copier equipment lease agreement with Ikon. The agreement qualifies as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease is a five year contract, commencing October 2010 to October 2015 with a fee of \$87,300. Rent expense for the year ended June 30, 2015 was \$17,460.

The future minimum lease payments over the next five years are shown below:

	<u>Total</u>
June 30, 2016	\$ 5,820
June 30, 2017	-0-
June 30, 2018	-0-
June 30, 2019	-0-
June 30, 2020	<u>-0-</u>
Total	<u>\$ 5,820</u>

In 2013, the School District entered into a mail machine lease agreement with First Choice Systems & Solutions, Inc. The agreement qualifies as an operating lease for accounting purposes and therefore, has been recorded as an expense in the accompanying statement of activities. The lease is a five year contract, commencing October 2013 to December 2018 with a fee of \$10,017. Rent expense for the year ended June 30, 2015 was \$1,908.

The future minimum lease payments over the next five years are shown below:

	<u>Total</u>
June 30, 2016	\$ 1,908
June 30, 2017	1,908
June 30, 2018	1,908
June 30, 2019	954
June 30, 2020	<u>-0-</u>
Total	<u>\$ 6,678</u>

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 – General Long-Term Debt

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Balance at 6/30/14	Additions	Reductions	Balance at 6/30/15
Bonds Payable:				
General Obligation Bonds, Series of 2014A	\$ 6,250,000	\$ -	\$ 5,000	\$ 6,245,000
General Obligation Bonds, Series of 2014B	1,795,000	-	335,000	1,460,000
General Obligation Bonds, Series of 2013	9,310,000	-	85,000	9,225,000
General Obligation Bonds, Series of 2012	9,850,000	-	5,000	9,845,000
General Obligation Bonds, Series of 2010	1,150,000	-	375,000	775,000
Total Bonds Payable	28,355,000	-	805,000	27,550,000
Other Liabilities:				
Compensated Absences	308,859	-	1,401	307,458
Postemployment Benefits	198,561	6,335	-	204,896
Pension Liability	22,474,000	-	388,000	22,086,000
Total Other Liabilities	22,981,420	6,335	389,401	22,598,354
 Total Governmental Activities				
Long-Term Liabilities	<u>\$ 51,336,420</u>	<u>\$ 6,335</u>	<u>\$ 1,194,401</u>	<u>\$ 50,148,354</u>
 Business - Type Activity				
Compensated Absences	<u>\$ 1,313</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ 1,000</u>

2014A General Obligation Bonds Payable

On March 20, 2014 the School issued a \$6,250,000 Series of 2014A General Obligation Bonds payable for the refunding of the 2009A General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2014A Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.30% to 3.70%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2030.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 – General-Long Term Debt – continued

2014A General Obligation Bonds Payable – continued

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year	Fiscal Debt
					Ended 6/30	Service
11/15/15	\$ 310,000	0.42%	\$ 92,554	\$ 402,554		
05/15/16			87,904	87,904	2016	\$ 490,458
11/15/16	320,000	0.55%	87,904	407,904		
05/15/17			83,104	83,104	2017	491,008
11/15/17	325,000	0.85%	83,104	408,104		
05/15/18			78,229	78,229	2018	486,333
11/15/18	350,000	1.20%	78,229	428,229		
05/15/19			72,979	72,979	2019	501,208
11/15/19	360,000	1.60%	72,979	432,979		
05/15/20			69,379	69,379	2020	502,358
11/15/20	370,000	2.00%	69,379	439,379		
05/15/21			65,679	65,679	2021	505,058
11/15/21	380,000	2.25%	65,679	445,679		
05/15/22			61,499	61,499	2022	507,178
11/15/22	385,000	2.55%	61,499	446,499		
05/15/23			56,686	56,686	2023	503,185
11/15/23	395,000	2.75%	56,686	451,686		
05/15/24			50,761	50,761	2024	502,447
11/15/24	405,000	2.90%	50,761	455,761		
05/15/25			44,686	44,686	2025	500,447
11/15/25	410,000	3.00%	44,686	454,686		
05/15/26			38,536	38,536	2026	493,222
11/15/26	420,000	3.20%	38,536	458,536		
05/15/27			31,921	31,921	2027	490,457
11/15/27	435,000	3.35%	31,921	466,921		
05/15/28			24,744	24,744	2028	491,665
11/15/28	445,000	3.50%	24,744	469,744		
05/15/29			17,068	17,068	2029	486,812
11/15/29	460,000	3.60%	17,068	477,068		
05/15/30			8,787	8,787	2030	485,855
11/15/30	475,000	3.75%	8,787	483,787		
05/15/31			-	-	2031	483,787
Total	<u>\$ 6,245,000</u>		<u>\$ 1,676,478</u>	<u>\$ 7,921,478</u>		<u>\$ 7,921,478</u>

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 – General Long-Term Debt - continued

2014B General Obligation Bonds Payable

On March 20, 2014 the School District issued a \$1,795,000 Series of 2014B General Obligation Bonds payable for the refunding of the 2009AA and 2007 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2014B Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.30% to 3.00%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2018.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/15	\$ 350,000	0.42%	\$ 21,900	\$ 371,900		
05/15/16			16,650	16,650	2016	\$ 388,550
11/15/16	350,000	0.55%	16,650	366,650		
05/15/17			11,400	11,400	2017	378,050
11/15/17	470,000	0.85%	11,400	481,400		
05/15/18			4,350	4,350	2018	485,750
11/15/18	290,000	1.20%	4,350	294,350		
05/15/19			-	-	2019	294,350
Total	\$1,460,000		\$ 86,700	\$ 1,546,700		\$1,546,700

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 – General Long-Term Debt - continued

2013 General Obligation Bonds Payable

On May 14, 2013 the School District issued a \$9,310,000 Series of 2013 General Obligation Bonds payable for the construction additions/renovations to the High School and Trevorton Elementary School, and to pay the costs related to issuing and insuring the 2013 Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 0.45% to 3.10%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2034.

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year	
					Ended 6/30	Fiscal Debt Service
11/15/15	\$ 75,000	0.60%	\$ 121,372	\$ 196,372		
05/15/16			121,146	121,146	2016	\$ 317,518
11/15/16	80,000	2.00%	121,146	201,146		
05/15/17			120,346	120,346	2017	321,492
11/15/17	300,000	2.00%	120,346	420,346		
05/15/18			117,346	117,346	2018	537,692
11/15/18	305,000	2.00%	117,346	422,346		
05/15/19			114,296	114,296	2019	536,642
11/15/19	310,000	2.00%	114,296	424,296		
05/15/20			111,196	111,196	2020	535,492
11/15/20	315,000	2.00%	111,196	426,196		
05/15/21			108,046	108,046	2021	534,242
11/15/21	320,000	2.00%	108,046	428,046		
05/15/22			104,846	104,846	2022	532,892
11/15/22	330,000	2.00%	104,846	434,846		
05/15/23			101,546	101,546	2023	536,392
11/15/23	335,000	2.00%	101,546	436,546		
05/15/24			98,196	98,196	2024	534,742
11/15/24	345,000	2.15%	98,196	443,196		
05/15/25			94,488	94,488	2025	537,684
11/15/25	350,000	2.30%	94,488	444,488		

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 – General Long-Term Debt - continued

2013 General Obligation Bonds Payable – continued

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
05/15/26			90,463	90,463	2026	534,951
11/15/26	360,000	2.45%	90,463	450,463		
05/15/27			86,053	86,053	2027	536,516
11/15/27	370,000	2.55%	86,053	456,053		
05/15/28			81,335	81,335	2028	537,388
11/15/28	380,000	2.65%	81,335	461,335		
05/15/29			76,300	76,300	2029	537,635
11/15/29	385,000	2.75%	76,300	461,300		
05/15/30			71,006	71,006	2030	532,306
11/15/30	400,000	3.00%	71,006	471,006		
05/15/31			65,006	65,006	2031	536,012
11/15/31	840,000	3.00%	65,006	905,006		
05/15/32			52,406	52,406	2032	957,412
11/15/32	860,000	3.00%	52,406	912,406		
05/15/33			39,506	39,506	2033	951,912
11/15/33	1,005,000	3.05%	39,506	1,044,506		
05/15/34			24,180	24,180	2034	1,068,686
11/15/34	1,560,000	3.10%	24,181	1,584,181		
05/15/35			-	-	2035	1,584,181
Total	\$9,225,000		\$3,476,787	\$ 12,701,787		\$ 12,701,787

2012 General Obligation Bonds Payable

On August 23, 2012 the School District issued a \$9,860,000 Series of 2012 General Obligation Bonds payable for the refunding of the 2007 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2012 Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 1.00% to 3.75%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2033.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 - General Long-Term Debt - continued

2012 General Obligation Bonds Payable – continued

The bonds are secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/15	\$ 5,000	1.125%	\$ 141,763	\$ 146,763		
05/15/16			141,735	141,735	2016	\$ 288,498
11/15/16	5,000	2.000%	141,735	146,735		
05/15/17			141,685	141,685	2017	288,420
11/15/17	5,000	2.000%	141,685	146,685		
05/15/18			141,634	141,634	2018	288,319
11/15/18	200,000	2.000%	141,634	341,634		
05/15/19			139,634	139,634	2019	481,268
11/15/19	535,000	2.000%	139,634	674,634		
05/15/20			134,284	134,284	2020	808,918
11/15/20	545,000	2.250%	134,284	679,284		
05/15/21			128,153	128,153	2021	807,437
11/15/21	555,000	2.375%	128,153	683,153		
05/15/22			121,562	121,562	2022	804,715
11/15/22	570,000	2.375%	121,562	691,562		
05/15/23			114,794	114,794	2023	806,356
11/15/23	585,000	2.500%	114,794	699,794		
05/15/24			107,481	107,481	2024	807,275
11/15/24	600,000	2.500%	107,481	707,481		
05/15/25			99,981	99,981	2025	807,462
11/15/25	615,000	2.625%	99,981	714,981		
05/15/26			91,909	91,909	2026	806,890
11/15/26	630,000	2.750%	91,909	721,909		
05/15/27			83,247	83,247	2027	805,156
11/15/27	650,000	2.875%	83,247	733,247		
05/15/28			73,903	73,903	2028	807,150
11/15/28	670,000	3.000%	73,903	743,903		
05/15/29			63,853	63,853	2029	807,756
11/15/29	690,000	3.250%	63,853	753,853		

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 - General Long-Term Debt - continued

2012 General Obligation Bonds Payable – continued

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
05/15/30			52,641	52,641	2030	806,494
11/15/30	715,000	3.375%	52,641	767,641		
05/15/31			40,575	40,575	2031	808,216
11/15/31	780,000	3.500%	40,575	820,575		
05/15/32			26,925	26,925	2032	847,500
11/15/32	810,000	3.500%	26,925	836,925		
05/15/33			12,750	12,750	2033	849,675
11/15/33	680,000	3.750%	12,750	692,750		
05/15/34			-	-	2034	692,750
Total	<u>\$ 9,845,000</u>		<u>\$ 3,575,255</u>	<u>\$ 13,420,255</u>		<u>\$ 13,420,255</u>

2010 General Obligation Bonds Payable

On November 9, 2010, the School District issued a \$2,535,000 Series of 2010 General Obligation Bonds payable for the refunding of the 2005 General Obligation Bonds Payable, and to pay the costs related to issuing and insuring the 2010 Bonds.

Interest is payable semi-annually at rates stipulated in the indenture (from 1.50% to 2.00%) on May 15th and November 15th of each year. Principal payments are scheduled annually on November 15th of each year through November 15, 2016.

The note is secured with the full faith, credit and taxing power of the School District.

The remaining scheduled maturity dates, principal and interest payments are as follows:

Payment Date	Principal	Interest Rate	Interest	Debt Service	Fiscal Year Ended 6/30	Fiscal Debt Service
11/15/15	\$ 385,000	2.000%	\$ 7,750	\$ 392,750		
05/15/16			3,900	3,900	2016	\$ 396,650
11/15/16	390,000	2.000%	3,900	393,900		
05/15/17			-	-	2017	393,900
Total	<u>\$ 775,000</u>		<u>\$ 15,550</u>	<u>\$ 790,550</u>		<u>\$ 790,550</u>

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 8 - General Long-Term Debt - continued

The aggregate maturities of all long-term borrowings for the next five years and to maturity are:

<u>Year Ending June 30,</u>	
2016	\$ 1,125,000
2017	1,145,000
2018	1,100,000
2019	1,145,000
2020	1,205,000
2021 thru 2025	6,435,000
2026 thru 2030	7,270,000
2031 thru 2035	8,125,000
Total	<u>\$ 27,550,000</u>

Note 9 - Pension Plan

1. Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan description

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

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 9 - Pension Plan - continued

Benefits provided

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

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

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

Contributions

Members Contributions:

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 9 - Pension Plan - continued

Contributions – continued

Members Contributions: - continued

of 2010 that in the future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,494,789 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$22,086,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was .0558 percent, which was an increase of .0009 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,484,796. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 1,579,000
Changes in proportions	297,000	-
Contributions subsequent to the measurement date	1,431,000	-
	\$ 1,728,000	\$ 1,579,000

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 9 - Pension Plan - continued

\$1,431,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ 323,000
2017	323,000
2018	323,000
2019	11,000
Total	<u>\$ 980,000</u>

Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 9 - Pension Plan- continued

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

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

Discount rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 27,549,000	\$ 22,086,000	\$ 17,422,000

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

Note 9 - Pension Plan - continued

Pension plan fiduciary net position

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

Note 10 - Other Postemployment Benefits

Beginning in fiscal year 2009, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment healthcare and other non-pension benefits, such as the School's retiree health benefit subsidy. Historically the School's subsidy was funded on a pay-as-you-go basis but GASB 45 requires that the School accrue the cost of the retiree health subsidy and other postemployment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of postemployment benefits and the financial impact on the School. This funding methodology mirrors the funding approach used for pension benefits. The School has implemented GASB 45 prospectively.

The annual cost of other postemployment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay-as-you-go cost for OPEB benefits is \$86,213 for fiscal year 2015. The ARC for fiscal year 2015 is \$92,548 and the estimated net OPEB obligation as of June 30, 2015 is \$204,896.

The School has elected not to pre-fund OPEB liabilities. The School is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the School's net OPEB obligation for the health care benefits.

Annual Required Contribution	\$ 95,803
Interest on Net OPEB Obligation	8,935
Adjustment to Annual Required Contribution	<u>(12,190)</u>
Annual OPEB Cost	92,548
Estimated Contributions Made	<u>(86,213)</u>
Estimated Increase in Net OPEB Obligation	6,335
Net OPEB Obligation, Beginning of Year	<u>198,561</u>
Estimated Net OPEB Obligation, End of Year	<u>\$ 204,896</u>

As of July 1, 2014, the most recent actuarial valuation date, the plan was completely unfunded. The actuarial accrued liability for benefits was \$828,634 and actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$828,634. As of the actuarial valuation date, the covered payroll (annual payroll of active employees covered by the plan) was \$6,807,730, and the ratio of the UAAL to the covered payroll was 12.17%.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 10 - Other Postemployment Benefits - continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumptions about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by eligible 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 District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50% interest rate and an annual healthcare cost trend rate of 6.5% in 2014, decreasing 0.5% per year to an ultimate rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Note 11 - Jointly Governed Organizations

The School District participates in the Northumberland County Career and Technology Center (NCCTC) which is governed by a joint operating committee. The committee is composed of seven members, two appointed annually from each Mount Carmel and Line Mountain School Districts, and three appointed annually from Shamokin School District. The NCCTC provides vocational and technical education for students of the three member school districts. Each member school district pays tuition to the NCCTC based upon its relative enrollment percentage at the school. The member school districts approve the budget of the NCCTC.

This joint venture does not meet the criteria for inclusion within the reporting entity because the NCCTC is separately chartered from the school districts it serves, its joint operating committee controls the employment of personnel, its joint operating committee has the power to approve all operating expenditures of the NCCTC, and the NCCTC is maintained as a separate operating unit.

LINE MOUNTAIN SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2015

Note 11 - Jointly Governed Organizations - continued

For the year ended June 30, 2015, the member school districts and the percentage of tuition received from each member school district were as follows:

Southern Columbia	0.00%
Shamokin	56.35%
Mount Carmel	29.28%
Line Mountain	<u>14.36%</u>
	<u>100.00%</u>

The School District's share of the joint venture is not determinable. The most recent NCCTC financial information for the year ended June 30, 2015 is available by contacting the Executive Director, Northumberland County Career and Technology Center, Coal Township, PA.

The School District made tuition payments, debt service payments and administrative costs payments to NCCTC of \$215,054 for the year ended June 30, 2015.

No amounts were due to/from NCCTC at June 30, 2015.

Note 12 - Commitments and Contingencies

The School District receives federal and state grants and subsidies that are subject to audit and review by the Auditor General. These audits could result in a request for reimbursement by the state for amounts disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such reimbursements, if any, will not be significant.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 - Risk Management

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

LINE MOUNTAIN SCHOOL DISTRICT
Schedule of Funding Progress for the Postemployment Benefits Plan
Required Supplementary Information
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a - b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	\$ -	\$ 828,634	\$ 828,634	0.00%	\$ 6,807,730	12.17%
7/1/2011	\$ -	\$ 991,583	\$ 991,583	0.00%	\$ 6,251,785	15.86%
7/1/2008	\$ -	\$ 1,086,518	\$ 1,086,518	0.00%	\$ 6,272,865	17.32%

This valuation has been calculated using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

LINE MOUNTAIN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the District's Proportionate Share of Net Pension Liability
 Last Two Fiscal Years

	2014	2013
School's Proportion of the Net Pension Liability	0.0558%	0.0549%
School's Proportionate Share of the Net Pension Liability	\$ 22,086,000	\$ 22,474,000
School's Covered - Employee Payroll	\$ 7,120,584	\$ 7,040,642
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	310.17%	319.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%	54.49%

LINE MOUNTAIN SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 Schedule of the District Contributions-Pension Plan
 Fiscal Years

	2015
Contractually Required Contribution	\$ 1,431,000
Contributions in Relation to the Contractually Required Contribution	<u>1,431,000</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered Payroll	\$7,120,584
Contributions as a Percentage of Covered-Employee Payroll	20.10%

LINE MOUNTAIN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal/Grantor Program Title	Source Code	Federal CFDA Number	Pass - Through Grantor's Number	Federal Expenditures
U.S. Department of Education				
Passed Through PA Dept. of Education				
Title I	I	84.010	013-15-0229	\$276,346
Title II - Improving Teacher Quality	I	84.367	020-15-0229	41,014
Title II - Improving Teacher Quality	I	84.367	020-14-0229	23
Subtotal Title II				<u>41,037</u>
Passed Through the Central Susquehanna Intermediate Unit				
IDEA	I	84.027	062-15-0-016	174,029
IDEA - 619	I	84.173	131-14-0-016	1,023
Subtotal CSIU IDEA Cluster				<u>175,052</u>
TOTAL DEPARTMENT OF EDUCATION				<u><u>492,435</u></u>
 U.S. Department of Agriculture				
Passed Through PA Dept. of Education				
NSLP	I	10.555	N/A	231,006
NSLP - Breakfast	I	10.553	N/A	43,038
Passed Through PA Dept. of Agriculture				
Value of USDA Commodities	I	10.555	N/A	43,113
SUBTOTAL DEPARTMENT OF AGRICULTURE CLUSTER				<u><u>317,157</u></u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS				 <u><u>\$ 809,592</u></u>

Source Codes: D - Direct Funding I - Indirect Funding

LINE MOUNTAIN SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Line Mountain School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Relationship to General Purpose Financial Statements

Federal financial assistance revenues are reported in the School District's general purpose financial statements as follows:

General Fund	\$ 340,928
Cafeteria Fund	317,157
Total per Financial Statements	658,085
Title II Reimbursement for the 2014 Fiscal Year	24
Access Reimbursements Not Included on the Schedule of Expenditures of Federal Awards	(23,569)
IDEA Funds are Coded to Local Funds but Included on the Schedule of Expenditures of Federal Awards	175,052
Total Federal Revenue per Schedule of Expenditures of Federal Awards	\$ 809,592

Note 3 – USDA Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the organization had food commodities totaling \$1,154 in inventory.



KENNETH L. WAGNER, JR., CPA
kwagner@wdeapc.com
Principal

RONALD P. DREESE, CPA/PFS, IACCP
rdreese@wdeapc.com
Principal

BRIAN L. ELSASSER, CPA/CVA
belsasser@wdeapc.com
Principal

Licensed CPAs

RICHARD L. BARLETT, JR., CPA

MICHAEL L. FULLER, CPA

GEORGE J. GEIB, CPA

NEAL L. LEWIS, CPA

GWEN M. REICHENBACH, CPA

DOUGLAS A. WINNER, CPA

Office Locations

1372 N. SUSQUEHANNA TRAIL
SUITE 210
SELINGROVE, PA 17870
(570) 743-2030

115 FARLEY CIRCLE
SUITE 102
LEWISBURG, PA 17837
(570) 524-0488

41 BROADWAY STREET
MILTON, PA 17847
(570) 742-2613

304 EAST SECOND STREET
BLOOMSBURG, PA 17815
(570) 387-0747

**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
Line Mountain School District
Herndon, PA

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 Accounting 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 Line Mountain School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Line Mountain School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wagner, Drees, Elsasser + Associates, P.C.

WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 14, 2015



KENNETH L. WAGNER, JR., CPA
kwagner@wdeapc.com
Principal

RONALD P. DREESE, CPA/PFS, IACCP
rdreese@wdeapc.com
Principal

BRIAN L. ELSASSER, CPA/CVA
belsasser@wdeapc.com
Principal

Licensed CPAs

RICHARD L. BARLETT, JR., CPA
MICHAEL L. FULLER, CPA
GEORGE J. GEIB, CPA
NEAL L. LEWIS, CPA
GWEN M. REICHENBACH, CPA
DOUGLAS A. WINNER, CPA

Office Locations

1372 N. SUSQUEHANNA TRAIL
SUITE 210
SELINGROVE, PA 17870
(570) 743-2030

115 FARLEY CIRCLE
SUITE 102
LEWISBURG, PA 17837
(570) 524-0488

41 BROADWAY STREET
MILTON, PA 17847
(570) 742-2613

304 EAST SECOND STREET
BLOOMSBURG, PA 17815
(570) 387-0747

**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
Line Mountain School District
Herndon, PA

Report on Compliance for Each Major Federal Program

We have audited Line Mountain 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 Line Mountain School District's major federal programs for the year ended June 30, 2015. Line Mountain 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 Line Mountain 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 Line Mountain School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Line Mountain 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 Line Mountain 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 Line Mountain School District's internal control over compliance.

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

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

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

Wagner, Drees, Elsass, & Associates, P.C.

WAGNER, DREESE, ELSASSER & ASSOCIATES, P.C.

Certified Public Accountants and Consultants

Selinsgrove, PA

December 14, 2015

LINE MOUNTAIN SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified Opinion

Internal Control over Financial Reporting:
 Significant Deficiencies Identified? _____ Yes X None Reported

Noncompliance Material to Financial Statements Noted? _____ Yes X No

Federal Awards

Internal Control over Major Programs:
 Significant Deficiencies Identified? _____ Yes X None Reported

Type of Auditor's Report Issued on Compliance
 for Major Program: Unmodified Opinion

Any Audit Findings Disclosed that are Required to
 be Reported in Accordance with Section 510(a) of
 OMB Circular A-133? _____ Yes X No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.555	NSLP
10.553	NSLP-Breakfast

Dollar Threshold used to Distinguish Between
 Type A and Type B Programs: \$300,000

Auditee Qualified as Low - Risk Auditee: X Yes _____ No

Section II - Financial Statement Findings

There are no Findings to be Reported

Section III - Federal Award Findings and Questioned Costs

There are no Findings to be Reported

LINE MOUNTAIN SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2015

There were no findings or questioned costs for the prior year ended June 30, 2014.