

SELINGROVE AREA SCHOOL DISTRICT
SELINGROVE, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2015

SELINGSGROVE AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2015

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Zelenkofske Axelrod LLC

INDEPENDENT AUDITORS' REPORT

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Board of School Directors
Selinsgrove Area School District
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Opinion

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 District, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Adoptions of New GASB's

As described in Note 1 to the financial statements, in 2015 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"*, Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68"*, and Statement No. 69, *"Government Combinations and Disposals of Government Operations"*. Our opinion is not modified in respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 district contributions on pages 4 through 18 and pages 61 - 63 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 inquires 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.

Zelenkofske Axelrod LLC

Board of School Directors
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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical schedules on pages 64 through 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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.

The statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
February 1, 2016

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

The Management Discussion & Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their 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 (2014-15) and the prior year (2013-14) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- Net Position decreased by \$1,031,420 based on current year activity. Total revenues were \$40,264,979 and total expenses were \$41,296,399. Net Position also decreased due to a restatement which was required to implement GASB 68. See Note 15 for details.
- The General Fund surplus for the year was \$645,040.
- The District was able to transfer an additional \$600,000 from the General Fund into the Capital Reserve Fund to offset future capital expenses and an additional \$400,000 to the Debt Service Fund to offset future debt service payments.
- \$700,000 of the total General Fund reserves was committed for the SUN Area Technical Institute's future capital project.
- The District implemented Governmental Accounting Standards Board Statement No. 68 in the current year. Under GASB 68, the District reported its proportionate share of the Public School Employees Retirement System (PSERS) net pension liability on the Statement of Net Position. The District's proportionate share of the PSERS' net pension liability was \$53.47 million. The District encourages the reader to review the Commonwealth of Pennsylvania Public School Employees Retirement System (PSERS) comprehensive financial report for additional detail. The report can be accessed on the PSERS website at www.psers.state.pa.us/publications.gener/cafr.htm.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary 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.

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

- 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.

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

District-wide Statements

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

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

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

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- Business-type activities - The District charges fees to help cover the costs of certain services it provides. 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.

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial 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 relationship between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide 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 District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net position was (\$36,040,820), on June 30, 2015.
(See Table A-1).

**Table A-1
Selinsgrove Area School District
Net Position as of
June 30, 2015**

	Governmental		Business-type			
	Activities		Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and other assets	14,059,265	16,096,417	669,031	437,699	14,728,296	16,534,117
Non-current assets	40,168,294	37,886,267	255,956	499,031	40,424,249	38,385,299
Total Assets	54,227,559	53,982,684	924,987	936,730	55,152,545	54,919,416
Deferred Outflow of Resources	1,554,224	6,396,878	0	0	1,554,224	6,396,878
Long term liabilities	34,056,206	33,116,799	33,215	42,171	34,089,421	33,158,970
Other liabilities	6,573,509	6,865,795	24,500	35,347	6,598,009	6,901,142
Net Pension Liability	0	53,474,000	0	0	0	53,474,000
Total Liabilities	40,629,715	93,456,594	57,715	77,518	40,687,430	93,534,112
Deferred Inflow of Resources	0	3,823,000	0	0	0	3,823,000
Net assets invested in Capital						
Assets, net of related debt	3,501,213	2,549,811	255,955	499,031	3,757,168	3,048,842
Restricted net assets	4,418,205	3,784,691	0	0	4,418,205	3,784,691
Unrestricted net assets	7,232,650	(43,234,534)	611,316	360,181	7,843,966	(42,874,353)
Total Net Position	15,152,068	(36,900,032)	867,271	859,212	16,019,339	(36,040,820)

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

**Table A-2
Selingsgrove Area School District
Fiscal Year Ended June 30, 2015
Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program Revenues						
Charges for services	415,236	454,819	653,866	612,929	1,069,102	1,067,748
Operating Grants & Contributions	7,005,938	7,297,864	681,424	677,152	7,687,362	7,975,016
Capital Grants & Contributions	472,471	474,616	0	0	472,471	474,616
General Revenues						
Property Taxes	15,107,585	15,918,164	0	0	15,107,585	15,918,164
Other Taxes	7,660,104	6,796,256	0	0	7,660,104	6,796,256
State formula aid	7,562,000	7,970,693	0	0	7,562,000	7,970,693
Investment earnings	59,521	56,055	345	356	59,866	56,411
Other	34,820	5,039	1,422	1,036	36,242	6,075
Total Revenues	38,317,675	38,973,506	1,337,057	1,291,473	39,654,732	40,264,979
Expenses						
Instruction	23,406,245	26,005,746	0	0	23,406,245	26,005,746
Instruction Student Support	3,399,848	3,971,816	0	0	3,399,848	3,971,816
Administration and Financial Support	3,255,155	3,637,056	0	0	3,255,155	3,637,056
Operation & Maint of facilities	2,696,881	2,687,128	0	0	2,696,881	2,687,128
Pupil Transportation	1,708,948	1,630,108	0	0	1,708,948	1,630,108
Student Activities	609,911	699,504	0	0	609,911	699,504
Community Services	29,792	30,620	0	0	29,792	30,620
Interest on Long term debt	1,184,880	1,334,889	0	0	1,184,880	1,334,889
Food Service	0	0	1,223,139	1,299,532	1,223,139	1,299,532
Total Expenses	36,291,660	39,996,867	1,223,139	1,299,532	37,514,799	41,296,399
Increase/(Decrease) in Net Position	2,026,015	(1,023,361)	113,918	(8,059)	2,139,933	(1,031,420)

SELINSGROVE AREA SCHOOL DISTRICT

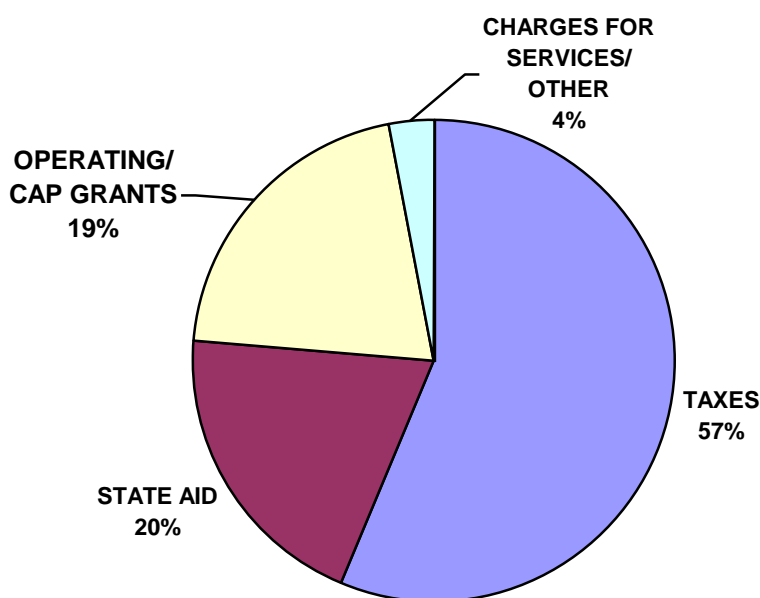
Management's Discussion & Analysis Year Ended June 30, 2015

Changes in net assets. The District's total revenues were \$40,264,979 for the year ended June 30, 2015 (see Table A-2). Property taxes and other taxes levied for general purposes continue to account for most of the District's revenue in the amount of \$22,714,420 or 56.5% of total revenues. Another 19.8% or \$7,970,693 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 19.8% or \$7,975,016 came from operating grants and contributions, and another 1.1% or \$474,616 came from capital grants and contributions, with the remainder of \$1,130,234 or 2.8% coming from fees charged for services and other miscellaneous sources.

The total cost of all programs and services was \$41,296,399 (see Table A-2). The District's costs related to educating and servicing students were \$32,307,174 or 78.2% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 8.8% of total expenses or \$3,637,056 and operation of the District's facilities accounted for 6.5% of total expenses or \$2,687,128. Finally, food service costs made up 3.2% of total costs or \$1,299,531 and all other expenses (including interest on long term debt) accounted for 3.3% or \$1,365,509. The District implemented GASB 68 during 2015. The details on the impact of this Statement can found at Note 15.

Total expenses exceeded revenues, decreasing net assets by \$1,031,420.

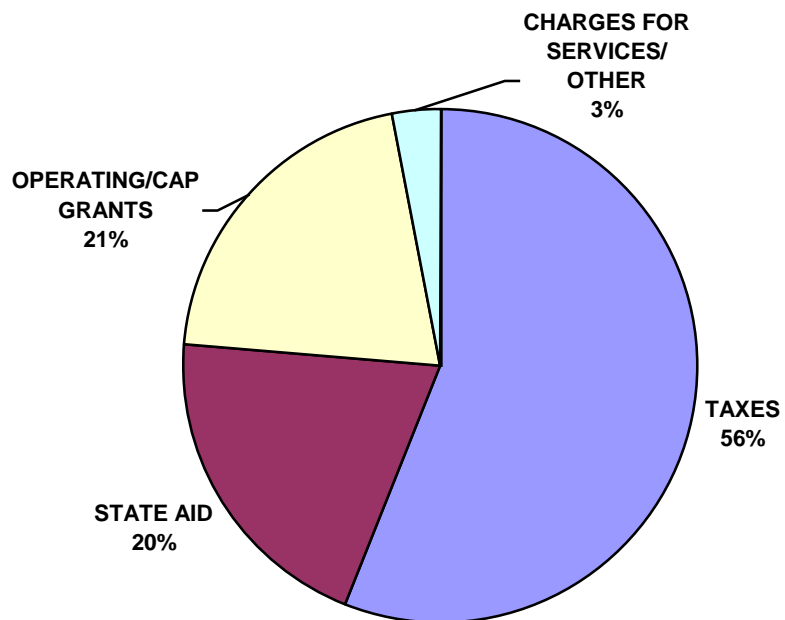
Figure A-3: Sources of Selinsgrove Area School District Revenues for FY 2014



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2015

Figure A-3: Sources of Selinsgrove Area School District Revenues for FY 2015



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2015

Figure A-4: Selinsgrove Area School District Expenses for FY 2014

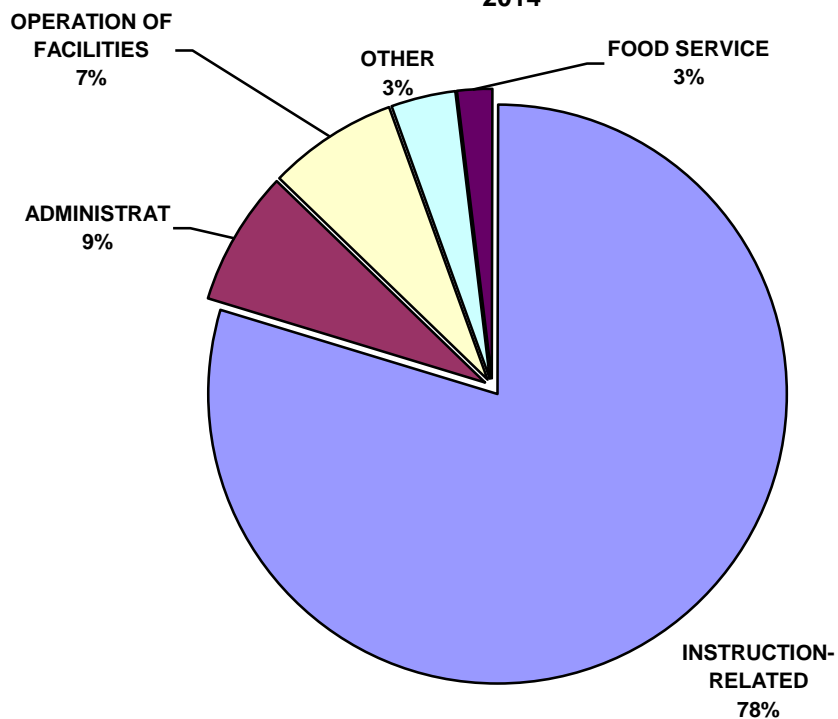
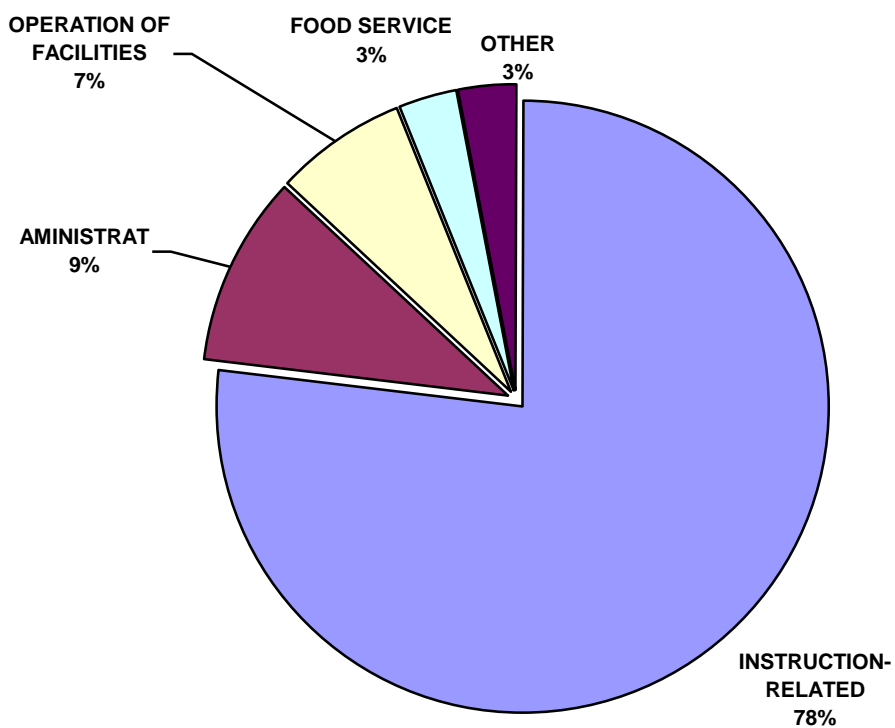


Figure A-4: Selinsgrove Area School District Expenses for FY 2015



SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

The cost of all District activities was \$41,296,399. (See Table A-2).

- Some of the cost was paid by the users of the District's programs (\$1,067,748).
- Federal and state governments subsidized certain programs with grants and contributions (\$8,449,632).
- Most of the District's costs (\$31,779,019), however, were paid for by District taxpayers and taxpayers of our state.

This portion of governmental activities was paid for with \$22,714,420 in taxes, \$9,068,348 of state aid based on the statewide education aid formula, investment earnings, other general revenues, and reserves.

Table A-3
Selinsgrove Area School District
Net Cost of Governmental Activities

	Total Cost		Percentage	Net Cost		Percentage
	of Services		Change	of Services		Change
	2014	2015	2013-14	2014	2015	2013-14
Instruction	23,406,245	26,005,746	11.1%	17,993,481	20,148,398	11.9%
Instruction Student Support	3,399,848	3,971,816	16.9%	3,090,058	3,612,172	16.9%
Administration and Financial Support	3,255,155	3,637,056	11.8%	3,112,276	3,463,068	11.3%
Operation & Maint of facilities	2,696,881	2,687,128	(0.4%)	2,127,925	2,374,075	11.6%
Pupil Transportation	1,708,948	1,630,108	(4.7%)	859,238	759,574	(11.6%)
Student Activities	609,911	699,504	(14.7%)	473,630	522,189	10.3%
Community Services	29,792	30,620	2.8%	28,998	29,819	2.9%
Interest on Long term debt	1,184,880	1,334,889	12.7%	712,409	860,273	20.8%
Food Service	1,223,139	1,299,532	6.3%	(112,151)	(9,451)	107.1%
Total Expenses	37,514,799	41,296,399	10.1%	28,285,864	31,779,019	12.3%

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$12,784,929 a net decrease of \$42,071 from the prior year. The schedule below summarizes the fund balances and the total changes in fund balances as of June 30, 2014 and 2015.

	Fund Balance	Fund Balance	Increase/ (Decrease)
	6/30/2014	6/30/2015	
General	8,757,776	9,402,816	645,040
Capital Projects	2,227,186	1,504,240	(722,946)
Debt Service	1,842,038	1,877,873	35,835
Total Fund Balances	12,827,000	12,784,929	(42,071)

Revenues and net other financing sources/uses for the District's governmental funds were \$39,054,641, while Expenses were \$44,092,061.

GENERAL FUND

The following schedule provides a summary of General Fund revenues:

	2014	2015	Increase/ (Decrease)	% Change
Local Sources	22,904,550	23,689,857	785,307	3.5%
State Sources	13,118,769	13,832,323	713,554	5.5%
Federal Sources	1,921,640	1,522,267	(399,373)	(20.8%)
Financing Sources:				
Bond/Lease Proceeds	0	0	0	0
Transfer in from Other Funds	0	0	0	0
Other Financing Sources	0	0	0	0
Total Revenue	37,944,959	39,044,447	1,099,488	2.9%

SELINGSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

Total General Fund revenue increased by \$1,099,488 or 2.9% from the previous year. Local revenue sources increased \$785,307 or 3.5% from the previous year mainly due to increases in real estate taxes, in lieu of tax payments, and earned income tax collections. State sources were up by \$713,554 or 5.5% due mostly to an increase in the retirement subsidy and an additional Ready to Learn Grant. Federal sources decreased \$393,373 or 20.8% due to the District receiving less in Title I and not receiving a Safe Routes to School Grant that was received in 2013-14.

The following schedule presents a summary of General Fund expenditures and other financing uses:

			Increase/ (Decrease)	% Change
	2014	2015		
Salaries	17,482,994	18,164,921	681,927	3.9%
Employee Benefits	8,761,949	9,947,739	1,185,790	13.6%
Purchased Services	5,248,877	5,046,193	(202,684)	(3.9%)
Supplies, Materials, Equipment	1,669,037	1,929,148	260,111	15.6%
Debt Service	62,847	0	(62,847)	(100%)
Other Expenditures/Financing Uses	4,044,182	3,311,406	(732,776)	(18.2%)
Total Expenditures/Financing Uses	37,269,886	38,399,407	1,129,521	3.1%

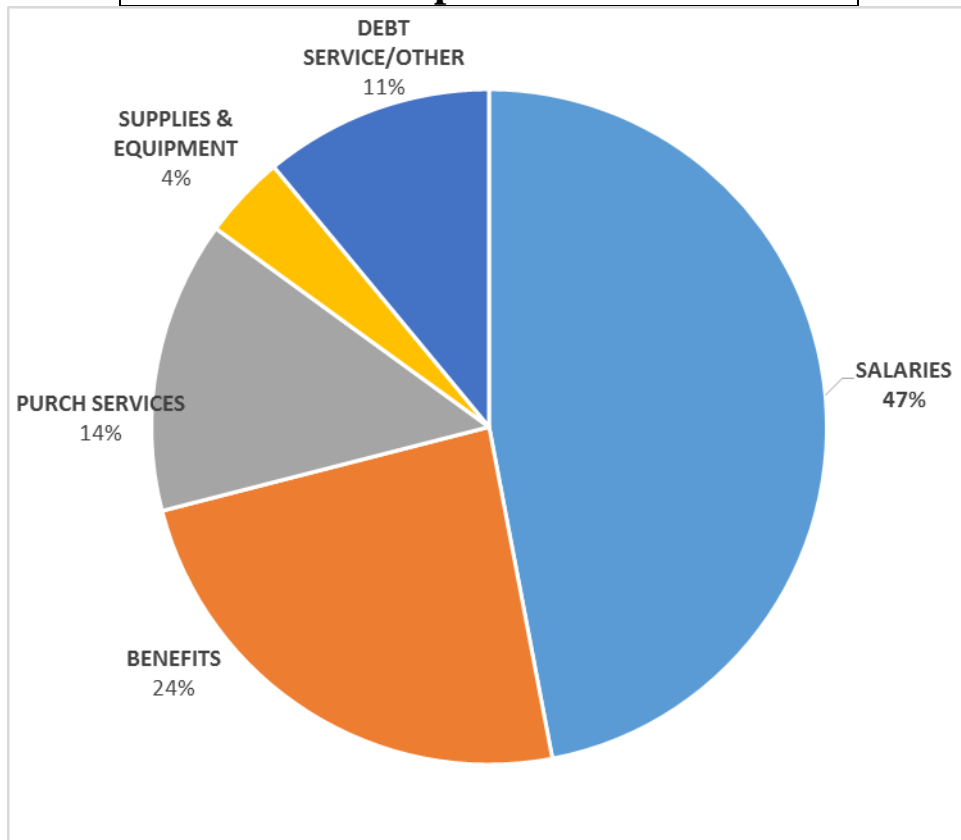
SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

Total General Fund expenditures and financing uses increased \$1,129,521 or 3.1% from the previous year. Salary costs increased \$681,927 or 3.9% from 2013-14 due to scheduled contractual increases. Employee benefits increased by \$1,185,790 or 13.6% due to an increase in medical insurance premiums and the employer retirement rate. Purchased service costs decreased \$202,684 or 3.9% mainly because of a decrease in construction services from the end of the Safe Routes to School Grant the District received in 2013-14. Supplies, materials, and equipment costs increased by a total of \$260,111 or 15.6% because of the District's implementation of a one to one initiative for student laptops. This was funded mainly through the Keystone to Opportunity Grant. Debt service costs decreased by \$62,847 because of the end of computer lease payments in 2013-14. Other Costs/Financing Uses were \$732,776 or 18.2% less than the prior year because of a decrease in transfers out to the capital projects fund.

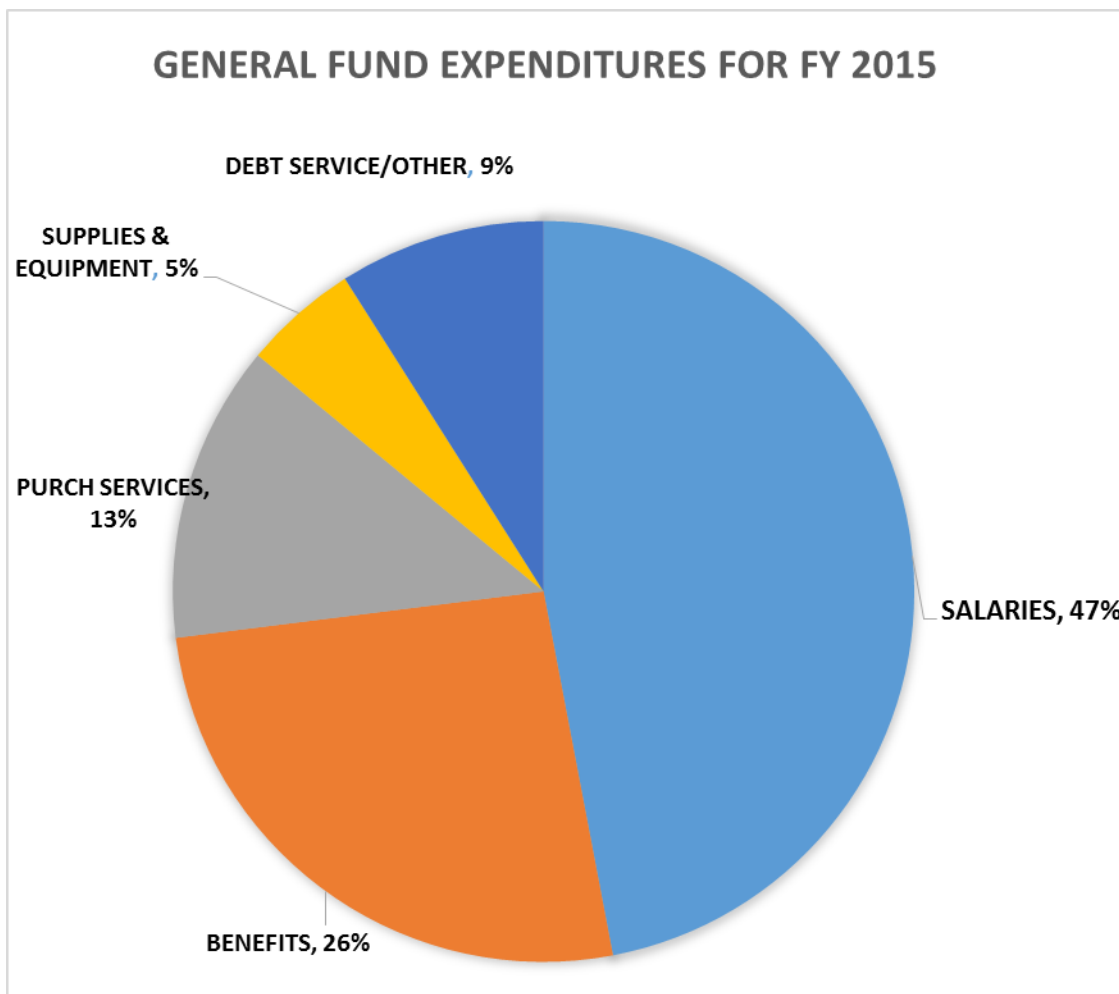
In 2014-15, General Fund revenues and financing sources exceeded expenses and financing uses by \$645,040. This increased the fund balance to \$9,402,816 at June 30, 2015. This number represents 22.7% of 2015-16 budgeted expenses.

General Fund Expenditures for FY 2014



SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis
Year Ended June 30, 2015



General Fund Budgetary Highlights

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.

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$345,499, actual results show that revenues and other financing sources exceeded expenses and other financing uses by \$645,040. Overall expenses/financing uses came in \$880,694 or 2.3% under budget. Major variances in expenses were in the following areas: personnel expenses (salaries and benefits) came in \$1,125,616 or 3.9% under budget. Purchased

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

services expenses were under budget by \$450,526 or 8.2%. Supplies and equipment expenses were \$103,641 or 5.1% under budget. The district was able to take \$1,000,000 of that savings and make an extra year end transfer to the capital reserve fund and the debt service fund. Revenues/financing sources ended the year \$109,845 or 0.3% over budget mainly from tax receipts exceeding projections. The overall net actual result added \$645,040 to the fund balance.

CAPITAL ASSETS

The District has invested \$72,016,047 in a broad range of capital assets, including land, school buildings, athletic facilities, library resources, and computer and audio-visual equipment (see table A-4). Accumulated depreciation expenses year to date June 30, 2015 totaled \$36,538,767.

Current year investments in fixed assets included computers and related hardware, improvements to school buildings, and campus site improvements.

Table A-4
Selinsgrove Area School District
Capital Assets

	2014	2015	Increase/ (Decrease)	% Change
Land	501,269	501,269	0	0
Building and Building Improvements	52,593,536	54,105,720	1,512,184	2.9%
Furniture and Equipment	13,559,252	13,136,145	(423,107)	(3.1%)
Site Improvements	4,686,460	4,774,182	87,722	1.9%
Construction in Progress	0	0	0	0
Less: Accumulated Depreciation	(35,180,573)	(36,538,767)	1,358,194	3.9%
Total	36,159,944	35,978,549	(181,395)	(0.5%)

SELINSGROVE AREA SCHOOL DISTRICT

Management's Discussion & Analysis Year Ended June 30, 2015

LONG-TERM LIABILITIES

At year-end, the District had \$32,929,707 in debt outstanding and \$3,028,516 of accrued compensated absences and other post-employment benefits (OPEB), a decrease of \$206,971 from the previous year (see table A-5).

Table A-5
Selinsgrove Area School District
Outstanding Long-term Liabilities

			Increase/ (Decrease)	% Change
	2014	2015		
General Obligation Bonds/Other Debt	34,549,876	32,929,707	(1,620,169)	(4.7%)
Compensated Absences/OPEB	2,821,545	3,254,114	432,569	15.4%
Total	37,371,421	36,183,821	(1,187,600)	(3.2%)

FACTORS INFLUENCING THE DISTRICT'S FINANCIAL FUTURE

There are several major factors that will have a significant influence on the District's financial future. First, Act 1 of 2006, which became effective with the 2007-08 fiscal year, will limit future real estate tax increases to an inflation factor each year. Another factor that will have an impact on future district finances is the continued financial problems at the state level due to stagnant revenues and political infighting. This will affect future state subsidy payments. A final factor that will have a major impact is the projected employer share into the Pennsylvania State Employee Retirement System (PSERS). That rate is projected to increase from 16.93% of total payroll in 2013-14 to 21.40% in 2014-15, 25.84% in 2015-16, 29.69% in 2016-17 and increasing each year to 32.23% in 2019-20. This will have a major impact on future district budgets. The district maintains a five year fiscal plan that deals with these factors by using a combination of revenue enhancements, expenditure reductions, and the use of reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, and 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 about this report or need additional financial information, contact the Business Office, Selinsgrove Area School District, 401 North 18th St., Selinsgrove, PA 17870.

SELINGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 10,995,483	\$ 574,577	\$ 11,570,060
Taxes receivable, net	3,129,522	-	3,129,522
Intergovernmental receivables	1,436,471	25,850	1,462,321
Internal balances	198,871	(198,871)	-
Other receivables	189,686	-	189,686
Inventories	40,687	36,143	76,830
Prepaid expenses	105,697	-	105,697
TOTAL CURRENT ASSETS	<u>16,096,417</u>	<u>437,699</u>	<u>16,534,116</u>
NON-CURRENT ASSETS			
Restricted cash	2,406,749	-	2,406,749
Land	501,269	-	501,269
Building and building improvements (net of acc. dep.)	30,903,847	340,623	31,244,470
Furniture and equipment (net of acc. dep.)	2,065,101	158,408	2,223,509
Site Improvements (net of acc. dep.)	2,009,301	-	2,009,301
TOTAL NON-CURRENT ASSETS	<u>37,886,267</u>	<u>499,031</u>	<u>38,385,298</u>
TOTAL ASSETS	<u>53,982,684</u>	<u>936,730</u>	<u>54,919,414</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	4,900,716	-	4,900,716
Deferred Charge on Refunding	1,496,162	-	1,496,162
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,396,878</u>	<u>-</u>	<u>6,396,878</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accounts payable	2,293,626	5,780	2,299,406
Accrued salaries and benefits	1,290,143	-	1,290,143
Payroll deductions and withholdings	298,033	-	298,033
Accrued interest	249,297	-	249,297
Current portion of long-term liabilities	2,692,143	-	2,692,143
Unearned revenue	-	29,567	29,567
Other current liabilities	42,553	-	42,553
TOTAL CURRENT LIABILITIES	<u>6,865,795</u>	<u>35,347</u>	<u>6,901,142</u>
NON-CURRENT LIABILITIES			
Bonds payable	31,172,890	-	31,172,890
Long-term portion of compensated absences	725,400	4,910	730,310
Other post employment benefits	1,218,509	37,261	1,255,770
Net pension liability	53,474,000	-	53,474,000
TOTAL NON-CURRENT LIABILITIES	<u>86,590,799</u>	<u>42,171</u>	<u>86,632,970</u>
TOTAL LIABILITIES	<u>93,456,594</u>	<u>77,518</u>	<u>93,534,112</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	3,823,000	-	3,823,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,823,000</u>	<u>-</u>	<u>3,823,000</u>
NET POSITION			
Net investment in capital assets	2,549,811	499,031	3,048,842
Restricted	3,784,691	-	3,784,691
Unrestricted	(43,234,534)	360,181	(42,874,353)
TOTAL NET POSITION	<u>\$ (36,900,032)</u>	<u>\$ 859,212</u>	<u>\$ (36,040,820)</u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/Revenue Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activites	Total
Governmental Activities							
Instruction	\$ 26,005,746	\$ 187,250	\$ 5,670,098	\$ -	(20,148,398)	\$ -	\$ (20,148,398)
Instructional Student Support	3,971,816	-	359,644	-	(3,612,172)	-	(3,612,172)
Administrative & Financial Support Svcs	3,637,056	-	173,988	-	(3,463,068)	-	(3,463,068)
Operation & Maintenance of Plant Svcs	2,687,128	155,388	157,665	-	(2,374,075)	-	(2,374,075)
Pupil Transportation	1,630,108	-	870,534	-	(759,574)	-	(759,574)
Student Activities	699,504	112,181	65,134	-	(522,189)	-	(522,189)
Community Services	30,620	-	801	-	(29,819)	-	(29,819)
Interest on Long Term Debt	1,334,889	-	-	474,616	(860,273)	-	(860,273)
Total Governmental Activities	39,996,867	454,819	7,297,864	474,616	(31,769,568)	-	(31,769,568)
Business-Type Activities							
Food Service	1,299,532	612,929	677,152	-	-	(9,451)	(9,451)
Total	41,296,399	1,067,748	7,975,016	474,616	\$ (31,769,568)	\$ (9,451)	\$ (31,779,019)
General Revenues							
Taxes:							
Property taxes levied for general purposes, net					15,918,164	-	15,918,164
Other taxes					6,796,256	-	6,796,256
Grants, subsidies, & contributions not restricted					7,970,693	-	7,970,693
Investment Earnings					56,055	356	56,411
Miscellaneous income					5,039	1,036	6,075
Total General Revenues					30,746,207	1,392	30,747,599
Change in Net Position					(1,023,361)	(8,059)	(1,031,420)
Net Position, Beginning as restated (Note 15)					(35,876,671)	867,271	(35,009,400)
Net Position, Ending					\$ (36,900,032)	\$ 859,212	\$ (36,040,820)

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	General	Capital Projects	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,995,483	\$ -	-	\$ 10,995,483
Restricted cash	-	1,629,176	777,573	2,406,749
Taxes receivable, net	3,129,522	-	-	3,129,522
Due from other funds	198,871	255,352	1,100,300	1,554,523
Intergovernmental receivables	1,436,471	-	-	1,436,471
Other receivables	189,686	-	-	189,686
Inventories	40,687	-	-	40,687
Prepaid expenses	105,697	-	-	105,697
TOTAL ASSETS	\$ 16,096,417	\$ 1,884,528	\$ 1,877,873	\$ 19,858,818
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 1,355,653	-	-	\$ 1,355,653
Accounts payable	1,913,338	380,288	-	2,293,626
Accrued salaries and benefits	1,290,143	-	-	1,290,143
Payroll deductions and withholdings	298,033	-	-	298,033
Other current liabilities	37,735	-	-	37,735
TOTAL LIABILITIES	4,894,902	380,288	-	5,275,190
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - taxes	1,798,699	-	-	1,798,699
TOTAL DEFERRED INFLOW OF RESOURCES	1,798,699	-	-	1,798,699
FUND BALANCE				
Assigned	\$ 70,186	-	-	70,186
Nonspendable	146,384	-	-	146,384
Restricted				
Special Ed ACCESS	402,578	-	-	402,578
Capital Projects	-	1,504,240	-	1,504,240
Debt Service	-	-	1,877,873	1,877,873
Committed				
Retiree Healthcare	2,318,334	-	-	2,318,334
Future PSERS	3,214,716	-	-	3,214,716
Educational Resources	306,389	-	-	306,389
Sun Tech Project	700,000	-	-	700,000
Unassigned	2,244,229	-	-	2,244,229
TOTAL FUND BALANCE	9,402,816	1,504,240	1,877,873	12,784,929
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	\$ 16,096,417	\$ 1,884,528	\$ 1,877,873	\$ 19,858,818

See notes to financial statements
which are an integral part of this statement.

SELINGROVE AREA SCHOOL DISTRICT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

GOVERNMENTAL FUNDS

JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 12,784,929**

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.

Cost of capital assets	71,715,825	
Less: accumulated depreciation	<u>(36,236,307)</u>	
		35,479,518

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at June 30, 2015 are:

General obligation debt	(32,929,707)	
Less: Deferred charge on refunding	1,496,162	
Unamortized bond discounts	107,111	
Compensated absences	(851,650)	
Accrued interest on bonds	(249,297)	
Net pension liability	(53,474,000)	
Other Liabilities	(4,818)	
Pensions - Deferred Outflows of Resources	4,900,716	
Pensions - Deferred Inflows of Resources	(3,823,000)	
Unfunded postemployment benefits	<u>(2,134,695)</u>	
		(86,963,178)

Some of the District's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue - taxes in the funds.

1,798,699

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (36,900,032)**

SELINGROVE AREA SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

ALL GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 23,689,857	\$ 1,715	\$ 8,479	\$ 23,700,051
State sources	13,832,323	-	-	13,832,323
Federal sources	<u>1,522,267</u>	<u>-</u>	<u>-</u>	<u>1,522,267</u>
TOTAL REVENUES	<u>39,044,447</u>	<u>1,715</u>	<u>8,479</u>	<u>39,054,641</u>
EXPENDITURES				
Instruction	23,413,523	-	-	23,413,523
Support services	11,058,095	-	101,629	11,159,724
Operation of non-instructional services	680,920	47,143	-	728,063
Capital outlay	-	1,373,518	-	1,373,518
Debt service	-	-	7,416,364	7,416,364
Refund prior year receipts	<u>869</u>	<u>-</u>	<u>-</u>	<u>869</u>
TOTAL EXPENDITURES	<u>35,153,407</u>	<u>1,420,661</u>	<u>7,517,993</u>	<u>44,092,061</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,891,040</u>	<u>(1,418,946)</u>	<u>(7,509,514)</u>	<u>(5,037,420)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from extended term financing	-	-	4,870,000	4,870,000
Bond premiums on refunding	-	-	125,349	125,349
Transfers in	-	696,000	2,550,000	3,246,000
Transfers out	<u>(3,246,000)</u>	<u>-</u>	<u>-</u>	<u>(3,246,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,246,000)</u>	<u>696,000</u>	<u>7,545,349</u>	<u>4,995,349</u>
NET CHANGE IN FUND BALANCES	<u>645,040</u>	<u>(722,946)</u>	<u>35,835</u>	<u>(42,071)</u>
FUND BALANCES - BEGINNING	<u>8,757,776</u>	<u>2,227,186</u>	<u>1,842,038</u>	<u>12,827,000</u>
FUND BALANCES - ENDING	<u>\$ 9,402,816</u>	<u>\$ 1,504,240</u>	<u>\$ 1,877,873</u>	<u>\$ 12,784,929</u>

See notes to financial statements
which are an integral part of this statement.

SELINSGROVE AREA SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(42,071)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and net book value of disposed capital assets in the current period.

Capital outlays	2,140,433	
Depreciation expense	<u>(2,564,904)</u>	
		(424,471)

Under the modified accrual basis of accounting used in governmental funds, revenues are not reported until they become available. In the statement of activities, however, revenues are recorded regardless of when financial resources are available. This is the change in unearned tax revenue from 6/30/14 to 6/30/15.

(76,317)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting.

Compensated absences expense	3,500	
Other postemployment benefits expense	(201,515)	
Amortization of debt premium/discount	(440,286)	
Amortization of deferred interest from refunding	(158,359)	
Pension benefit expense	(1,367,545)	
Accrued interest on long-term debt	<u>13,534</u>	
		(2,150,671)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal payments		<u>1,670,169</u>
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>(1,023,361)</u>
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1,023,361

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 23,588,423	\$ 23,588,423	\$ 23,689,857	101,434
State sources	13,634,295	13,831,074	13,832,323	1,249
Federal sources	1,606,593	1,515,105	1,522,267	7,162
TOTAL REVENUES	38,829,311	38,934,602	39,044,447	109,845
EXPENDITURES				
Instruction:				
Regular programs	17,488,674	17,374,770	16,791,266	583,504
Special programs	4,086,919	4,110,632	4,184,308	(73,676)
Vocational programs	2,181,708	2,217,686	2,173,767	43,919
Other instructional programs	274,351	271,891	197,324	74,567
Nonpublic school programs	8,193	3,086	2,986	100
Pre-Kindergarten services	-	63,872	63,872	-
Total Instruction	24,039,845	24,041,937	23,413,523	628,414
Support Services:				
Pupil personnel services	1,767,829	1,757,946	1,688,701	69,245
Instructional staff services	1,853,387	1,947,174	1,720,283	226,891
Administrative services	1,864,866	1,932,167	1,890,847	41,320
Pupil health	461,693	475,263	462,998	12,265
Business services	394,141	396,771	381,410	15,361
Operation and maintenance of plant services	2,740,563	2,765,413	2,458,017	307,396
Student transportation services	1,700,265	1,698,135	1,517,120	181,015
Central and other support services	1,024,776	1,023,500	938,719	84,781
Total Support Services	11,807,520	11,996,369	11,058,095	938,274
Operation of non-instructional services:				
Student activities	741,865	745,241	652,554	92,687
Community services	34,774	34,774	28,366	6,408
Total Operation of non-instructional service	776,639	780,015	680,920	99,095
Facilities acquisition, construction, and improvement services	-	-	-	-
Debt service (principal and interest)	110,000	20,974	-	20,974
Refund of prior year receipts	-	-	869	(869)
TOTAL EXPENDITURES	36,734,004	36,839,295	35,153,407	1,685,888
EXCESS REVENUES OVER EXPENDITURES	2,095,307	2,095,307	3,891,040	1,795,733
OTHER FINANCING USES				
Interfund transfers	(2,246,000)	(2,246,000)	(3,246,000)	(1,000,000)
Budgetary reserve	(194,806)	(194,806)	-	194,806
TOTAL OTHER FINANCING SOURCES (USES)	(2,440,806)	(2,440,806)	(3,246,000)	(805,194)
NET CHANGE IN FUND BALANCES	(345,499)	(345,499)	645,040	990,539
FUND BALANCE - BEGINNING OF YEAR	7,846,270	7,846,270	8,757,776	911,506
FUND BALANCE - END OF YEAR	\$ 7,500,771	\$ 7,500,771	\$ 9,402,816	\$ 1,902,045

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2015

	<u>Food Service</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 574,577
Intergovernmental receivables	25,850
Inventories	<u>36,143</u>
TOTAL CURRENT ASSETS	<u>636,570</u>
NON-CURRENT ASSETS	
Building improvements (net)	340,623
Furniture and equipment (net)	<u>158,408</u>
TOTAL NON-CURRENT ASSETS	<u>499,031</u>
TOTAL ASSETS	<u><u>\$ 1,135,601</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 5,780
Due to other funds	198,871
Unearned revenues	<u>29,567</u>
TOTAL CURRENT LIABILITIES	<u>234,218</u>
NON-CURRENT LIABILITIES	
Long-term portion of compensated absences	4,910
Other postemployment benefits	<u>37,261</u>
TOTAL NON-CURRENT LIABILITIES	<u>42,171</u>
TOTAL LIABILITIES	<u><u>276,389</u></u>
NET POSITION	
Net investment in capital assets	499,031
Unrestricted	<u>360,181</u>
TOTAL NET POSITION	<u><u>859,212</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,135,601</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Food Service
	<hr/>
OPERATING REVENUES	
Food service revenues	\$ 555,230
Other operating revenues	58,735
TOTAL OPERATING REVENUES	<hr/> 613,965
 OPERATING EXPENSES	
Salaries	421,180
Employee benefits	187,115
Purchased services	36,981
Supplies	560,888
Depreciation	51,124
Other operating expenses	42,244
TOTAL OPERATING EXPENSES	<hr/> 1,299,532
	<hr/>
OPERATING LOSS	(685,567)
 NON-OPERATING REVENUES	
Earnings on investments	356
State sources	97,383
Federal sources	579,769
TOTAL NON-OPERATING REVENUES	<hr/> 677,508
	<hr/>
CHANGE IN NET POSITION	(8,059)
 NET POSITION - BEGINNING OF YEAR	<hr/> 867,271
 NET POSITION - END OF YEAR	 \$ <u><u>859,212</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 559,636
Cash received from other operating revenue	201,966
Cash payments to employees for services	56,931
Cash payments to suppliers for goods and services	(632,180)
Cash payments for other operating expenses	(599,339)
NET CASH USED FOR OPERATING ACTIVITIES	<u>(412,986)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	97,383
Federal sources	579,769
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>677,152</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Outlay	(294,200)
NET CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(294,200)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	356
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>356</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,678)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>604,255</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>574,577</u></u>
OPERATING LOSS	\$ (685,567)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Changes in current assets and current liabilities	
Depreciation	51,124
Increase in accounts payable	3,346
Decrease in inventories	4,587
Increase in due to other governments	(1,804)
Increase in unearned revenue	4,406
Increase in due to other funds	198,871
Decrease in due to other funds	3,095
Increase in compensated absences	1,160
Increase in OPEB	7,796
TOTAL ADJUSTMENTS	<u>272,581</u>
TOTAL CASH USED FOR OPERATING ACTIVITIES	\$ <u><u>(412,986)</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	Private Purpose Trust	Agency	Total
ASSETS			
Cash and cash equivalents	\$ 62,873	\$ 122,838	\$ 185,711
Accounts Receivable	32,767	-	32,767
TOTAL ASSETS	<u>\$ 95,640</u>	<u>\$ 122,838</u>	<u>\$ 218,478</u>
 LIABILITIES AND NET POSITION			
LIABILITIES			
Other current liabilities	\$ -	\$ 122,838	\$ 122,838
 NET POSITION			
Restricted	<u>95,640</u>	<u>-</u>	<u>95,640</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 95,640</u>	<u>\$ 122,838</u>	<u>\$ 218,478</u>

See notes to financial statements
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Private Purpose Trust
ADDITIONS	
Gifts and contributions	\$ 4,167
Other additions	2,768
TOTAL ADDITIONS	<u>6,935</u>
DEDUCTIONS	
Other deductions	24,459
Scholarships awarded	4,025
TOTAL DEDUCTIONS	<u>28,484</u>
CHANGE IN NET POSITION	<u>(21,549)</u>
NET POSITION - BEGINNING OF YEAR	<u>117,189</u>
NET POSITION - END OF YEAR	<u><u>\$ 95,640</u></u>

See notes to financial statements
which are an integral part of this statement.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Selinsgrove Area School District (the "School District") is governed by the Selinsgrove Area School District Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the School District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the School District has no component units that are required to be included in the School District's financial statements.

C. Measurement Focus, Basis of Accounting

The basic financial statements of the School District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporate noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the School District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the School District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the School District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary Funds

The School District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The School District's Fiduciary Funds are presented in the fund financial statements as a Private Purpose Trust Fund and an Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the School District, these funds are not incorporated into the government-wide financial statements. The School District's fiduciary funds are presented on the accrual basis of accounting.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

D. Basis of Presentation

The following are the School District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
- This Debt Service Fund accounts for the accumulation of resources for and payment of principal, interest, and related costs of the District's general long-term debt.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the School District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Additionally the School District reports the following funds:

- The Private Purpose Trust Funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the School District's own programs.
- Agency Funds are custodial in nature and account for assets held by the School District as an agent for various student activities.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." All receivables are shown net of an allowance for doubtful accounts.

3. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The School District defines capital assets with an initial, individual cost of more than: equipment - \$5,000, vehicles - \$10,000, and building improvements - \$25,000. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Intangible assets, such as computer software, are grouped with furniture and equipment in the financial statements and are being depreciated.

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

Major outlays for capital assets and improvements are capitalized as projects are completed.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

Capital assets of the School District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Site Improvements	20 years
Buildings and Improvements	15-20 years
Furniture and Equipment	5-15 years

4. Restricted Assets

Restricted Assets represent revenues set-aside for liquidation of specific obligations, as detailed in Note 4.

5. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The School District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences. The School District allows only restricted sabbatical leave and therefore, has no recorded liability in advance of the sabbatical. The School District also records estimated vested retirement bonus for employees.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

6. Long-Term Obligations (Continued)

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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

8. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

8. Fund Balance (Continued)

- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Manager.
- Unassigned fund balance – This classification represents amounts that are available for any purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

9. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

9. Net Position (Continued)

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

10. Accounting Estimates

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

11. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

12. Inventory

Inventories are recorded using the consumption method of accounting and consist of instructional materials, purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standard costs, as determined by the Department of Agriculture. In the financial statements, commodities received are recorded as deferred until consumed.

13. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has three items that qualify for reporting in these categories: deferred outflows/inflows on refunding bonds, deferred outflows and inflows related to pensions, and unavailable tax revenue.

Deferred outflows/inflows on refundings are the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows and inflows of resources related to pensions are described further in Note 10. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a 5.15 year closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

E. Assets, Liabilities, Net Position or Fund Balance (Continued)

14. Pensions

For purposes of measuring 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 Employee's Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

F. Adoption of Governmental Accounting Standards Board Statements

The School District adopted the provisions of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"*. The adoption of this statement resulted in a restatement of net position (See Note 15).

The School District adopted the provisions of GASB Statement No. 69, *"Government Combinations and Disposals of Government Operations"*. The adoption of this statement had no effect on previously reported amounts.

The School District adopted the provisions of GASB Statement No. 71, *"Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68"*. The adoption of this statement resulted in a restatement of net position (See Note 15).

G. Pending Changes in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *"Fair Value Measurement and Application"*. The School District is required to adopt Statement No. 72 for its fiscal year 2016 financial statements.

In June 2015, the GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68"*. The School District is required to adopt Statement No. 73 for its fiscal year 2017 financial statements.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

G. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*. The School District is required to adopt Statement No. 74 for its fiscal year 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. The School District is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

In June 2015, the GASB issued Statement No. 76, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*. The School District is required to adopt Statement No. 76 for its fiscal year 2016 financial statements.

In August 2015, the GASB issued Statement No. 77, *“Tax Abatement Disclosures”*. The School District is required to adopt Statement No. 77 for its fiscal year 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*. The School District is required to adopt Statement No. 78 for its fiscal year 2017 financial statements.

In December 2015, the GASB issued Statement No. 79, *“Certain External Investment Pools and Pool Participants”*. The School District is required to adopt Statement No. 79 for its fiscal year 2017 financial statements.

The School District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The School District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent such accounts are so insured and, for any amounts above the insured maximum provided that approved collateral as provided by law therefore shall be pledged by the depository, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. As of June 30, 2015, the School District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$14,162,520 and its bank balances were \$14,249,958. Of these bank balances, \$13,744,013 were exposed to custodial credit risk and they were collateralized with securities held by the pledging financial institutions and uninsured.

NOTE 4: RESTRICTED CASH

Assets whose use is limited to a specific purpose have been classified as "restricted" in the balance sheet. Restricted assets are composed of the following:

Governmental Funds

Restricted Cash

Cash restricted for future capital projects	\$1,629,176
Cash restricted for debt service payments	<u>777,573</u>
Total Restricted Cash	<u>\$2,406,749</u>

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 5: TAXES ASSESSED

The following is a listing of the taxes assessed along with their respective tax levy:

Tax Type	Millage/Rate	Assessed Valuation
Real Estate – Snyder County	63.41 mills	\$16,465,923
Per Capita Tax – Act 511	\$5.00/person	62,000
Per Capita Tax – Section 679	\$5.00/person	62,000
Total Assessed Valuation		<u>\$16,589,923</u>

Real estate taxes are assessed on August 1, of each year and become due and payable on that date. Taxpayers are given a two percent discount if they pay their taxes by September 30. All taxes levied on August 1, become delinquent on December 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded in January.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the School District in the current year. An allowance has been established to recognize the uncollectable portion in the amount of \$11,847.

Taxes receivable also include estimated earned income taxes due to the School District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2015 as related to the School District's governmental activities:

Governmental activities:

Commonwealth of Pennsylvania	
State source revenue	\$ 789,961
Central Susquehanna Intermediate Unit	169,909
Federal source revenues	<u>476,601</u>
Total	<u>\$ 1,436,471</u>

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 7: CAPITAL ASSETS

Capital asset of governmental activities for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 501,269	\$ -	\$ -	\$ 501,269
Total capital assets, not being depreciated	<u>501,269</u>	<u>-</u>	<u>-</u>	<u>501,269</u>
Capital assets being depreciated:				
Site improvements	4,686,460	87,722	-	4,774,182
Buildings and building improvements	52,408,967	1,257,063	-	53,666,030
Furniture and equipment	<u>13,236,530</u>	<u>795,648</u>	<u>1,257,834</u>	<u>12,774,344</u>
Total assets being depreciated.	<u>70,331,957</u>	<u>2,140,433</u>	<u>1,257,834</u>	<u>71,214,556</u>
Less accumulated depreciation:				
Site improvements	2,547,169	217,712	-	2,764,881
Buildings and building improvements	21,082,416	1,679,767	-	22,762,183
Furniture and equipment	<u>11,299,652</u>	<u>667,425</u>	<u>1,257,834</u>	<u>10,709,243</u>
Total accumulated depreciation	<u>34,929,237</u>	<u>2,564,904</u>	<u>1,257,834</u>	<u>36,236,307</u>
Total capital assets, being depreciated, net	<u>35,402,720</u>	<u>(424,471)</u>	<u>-</u>	<u>34,978,249</u>
Governmental activities, capital assets, net	<u>\$ 35,903,989</u>	<u>\$ (424,471))</u>	<u>\$ -</u>	<u>\$ 35,479,518</u>

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

	Balance July, 1 2014	Additions	Deletions	Balance June 30, 2015
Business-Type Activities:				
Capital Assets being depreciated:				
Buildings and Building Improvements	\$ 184,569	\$ 255,121	\$ -	\$ 439,690
Furniture and Equipment	<u>322,722</u>	<u>39,079</u>	<u>-</u>	<u>361,801</u>
Total assets being depreciated	<u>507,291</u>	<u>294,200</u>	<u>-</u>	<u>801,491</u>
Less accumulated depreciation:				
Buildings and Building Improvements	74,946	24,121	-	99,067
Furniture and Equipment	<u>176,390</u>	<u>27,003</u>	<u>-</u>	<u>203,393</u>
Total Accumulated Depreciation	<u>251,336</u>	<u>51,124</u>	<u>-</u>	<u>302,460</u>
Total capital assets, being depreciated, net	<u>255,955</u>	<u>243,076</u>	<u>-</u>	<u>499,031</u>
Business-Type, capital assets, net	<u>\$ 255,955</u>	<u>\$ 243,076</u>	<u>\$ -</u>	<u>\$ 499,031</u>

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental:

Instructional	\$ 1,701,322
Instructional student support	813,905
Operation and maintenance of plant services	49,677
Total Governmental depreciation expense	<u>\$ 2,564,904</u>

Business-Type:

Food Service	\$ 51,124
Total Business-Type depreciation expense	<u>\$ 51,124</u>

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2015, the School District's long-term debt consisted of the following:

	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Amounts Due Within One Year
General Obligation Debt	\$ 34,549,876	\$ 4,870,000	\$ 6,490,169	\$ 32,929,707	\$ 1,649,707
Less: Bond Discounts	(592,876)	-	485,765	(107,111)	-
Compensated Absences	858,900	1,160	3,500	856,560	126,250
Other Post Employment Benefits	1,962,645	1,311,548	1,102,237	2,171,956	916,186
Total Long-Term Obligations	\$ 36,778,545	\$ 6,182,708	\$ 8,081,671	\$ 35,851,112	\$ 2,692,143

Pertinent information regarding long-term debt obligations outstanding is presented below:

General Obligation Debt:	Interest Rate	Maturity Date	Amounts Issued	Amounts Outstanding
Series of 1994	4.50% - 6.80%	2015	\$9,905,000	\$ 449,707
Series A of 2011	1.00% - 3.00%	2024	\$9,800,000	9,760,000
Series A of 2012	0.60% - 2.60%	2025	\$4,310,000	3,795,000
Series B of 2012	0.60% - 2.85%	2027	\$5,490,000	5,460,000
Series of 2013	2.00% - 2.45%	2028	\$8,645,000	8,600,000
Series of 2014	2.00%	2019	\$4,870,000	4,865,000
Total				<u>\$32,929,707</u>

In July 2014, the District issued General Obligation Bonds, Series of 2014 in the amount of \$4,870,000 with a fixed interest rate of 2% and payments beginning on October 1, 2014 and ending on April 1, 2019. The purpose of the bonds is to currently refund all of the outstanding General Obligation Bonds, Series B of 2009 and pay the costs of issuance.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the School District's estimated future debt service requirements on these bonds and notes as of June 30, 2015:

<u>FY ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1,649,707	787,510	2,437,217
2017	1,715,000	749,320	2,464,320
2018	1,970,000	716,129	2,686,129
2019	2,145,000	678,903	2,823,903
2020	2,545,000	637,221	3,182,221
2021-2025	14,205,000	2,240,495	16,445,495
2026-2028	<u>8,700,000</u>	<u>354,260</u>	<u>9,054,260</u>
Total	<u>\$ 32,929,707</u>	<u>\$ 6,163,838</u>	<u>\$39,093,545</u>

NOTE 9: COMPENSATED ABSENCES

The changes in the School District's compensated absences in 2015 are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Balance, July 1, 2014	\$ 855,150	\$ 3,750	\$ 858,900
Additions/(Reductions)	<u>(3,500)</u>	<u>1,160</u>	<u>(2,340)</u>
Balance, June 30, 2015	<u>\$ 851,650</u>	<u>\$ 4,910</u>	<u>\$ 856,560</u>

Compensated absences are paid from the General Fund and Food Service Fund.

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

The Pennsylvania Public School Employees' Retirement System ("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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, 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) preserved 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 T-F members, the right to benefits is vested after ten years of service.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

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.

Benefits Provided (Continued)

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. 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 \$3,622,331 for the year ended June 30, 2015.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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.

Contributions (Continued)

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

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 \$53,474,000 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 0.1351 percent, which was an increase of 0.0038 from its proportion measured as of June 30, 2013.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$1,367,545. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows Of Resources
Net difference between projected and actual investment earnings	\$ -	\$ (3,823,000)
Changes in proportion	1,278,385	-
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>3,622,331</u>	<u>-</u>
Total	<u>\$ 4,900,716</u>	<u>\$ (3,823,000)</u>

\$3.62 million 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (648,124)
2017	(648,124)
2018	(648,124)
2019	(648,124)
2020	47,881

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions

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

- Inflation – 3.00%
- 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 plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

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.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

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

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

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

Discount Rate

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

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 10: PENSION BENEFITS (CONTINUED)

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

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

(in Thousands)	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
2014 District's share of the net pension liability	\$ 66,701	\$ 53,474	\$ 42,181

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PSERS financial report.

Pension plan fiduciary net position

At June 30, 2015, the District reported a payable of \$1,124,960 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The School District provides postretirement healthcare benefits for teachers and administrative employees who retire with at least 35 years of public school service in Pennsylvania or 30 years of public school service in Pennsylvania and have attained the age of 60 for teachers and 55 for administrators or later, up to age 65. The employee also shall have completed 15 years of service with the School District. The cost of such medical and prescription coverage for retirees and spouses is determined by the contract provisions at the time of retirement. The plan provides post-retirement medical and prescription drug benefits. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired teachers who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. Retiree contribution rates and amount vary depending on classification and years of services with the School District. The School District paid premiums of \$867,682 for the fiscal year ended June 30, 2015.

C. Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 30 years.

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

	Governmental Activities	Business- Type	Total
Annual required contribution (ARC)	\$ 1,320,667	\$ 23,052	\$ 1,343,719
Interest on net OPEB obligation	86,804	1,515	88,319
Adjustment to ARC	(118,423)	(2,067)	(120,490)
Annual OPEB costs (expense)	1,289,048	22,500	1,311,548
Contributions made (Estimated)	(1,083,328)	(18,909)	(1,102,237)
Increase in net OPEB obligation	205,720	3,591	209,311
Net OPEB obligation - beginning of year	1,928,975	33,670	1,962,645
Net OPEB obligation - end of year	<u>\$ 2,134,695</u>	<u>\$ 37,261</u>	<u>\$ 2,171,956</u>

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The School District's annual OPEB cost (estimated), the percentage of annual OPEB cost contributed to the plan (estimated), and the net OPEB obligation for June 30, 2014, 2013, and 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Obligation</u>
June 30, 2015	<u>\$1,311,548</u>	66%	<u>\$ 2,171,956</u>
June 30, 2014	<u>\$1,169,320</u>	71%	<u>\$ 1,962,645</u>
June 30, 2013	<u>\$1,173,252</u>	81%	<u>\$ 1,626,876</u>

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$12,551,535, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,551,535. The actuarial value of assets as a percentage of the actuarial accrued liability was 0%. The covered payroll was \$15,894,019, and the ratio of the UAAL to the covered payroll was 78.97%.

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

E. Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the School District's Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. 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.

SELINGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

In the January 1, 2014, actuarial valuation, the Entry Age Normal Method was used. 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.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the School District's deposits and investments, and an annual healthcare cost trend rate of 7.5% initially, reduced by .5% annually to a rate of 5.5% in 2016. The rates 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. The UAAL is being amortized as a level percentage of payroll over a thirty year period on an open basis.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage.

NOTE 13: CONTINGENT LIABILITIES

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

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 13: CONTINGENT LIABILITIES (CONTINUED)

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

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2015 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ 198,871	\$ 1,355,652	\$ -	\$ 3,246,000
Capital Projects Fund	255,352	-	696,000	-
Debt Service Fund	1,100,300	-	2,550,000	-
Food Service Fund	-	198,871	-	-
	<u>-</u>	<u>198,871</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,554,523</u>	<u>\$ 1,554,523</u>	<u>\$ 3,246,000</u>	<u>\$ 3,246,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

SELINSGROVE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

NOTE 15: RESTATEMENT OF NET POSITION

The following 2015 amounts have been restated due to the adoption of GASB Statement No. 68 and GASB Statement No. 71:

	<u>Governmental Activities</u>
Net Position, beginning of year, as previously stated	\$ 15,152,068
Net Pension Liability for the adoption of GASB 68	(53,750,000)
Deferral of Contributions subsequent to PSERS measurement date for the adoption of GASB 71	<u>2,721,261</u>
Net Position beginning of year, as restated	<u><u>\$ (35,876,671)</u></u>

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 9,506,482	\$ 9,506,482	0.0%	\$ 14,901,653	63.79%
1/1/2010	\$ -	\$ 8,992,863	\$ 8,992,863	0.0%	\$ 16,402,484	54.83%
1/1/2012	\$ -	\$ 11,036,902	\$ 11,036,902	0.0%	\$ 15,517,194	71.13%
1/1/2014	\$ -	\$ 12,551,535	\$ 12,551,535	0.0%	\$ 15,894,019	78.97%

The School District adopted GASB 45 on a prospective basis in 2008, therefore only four years are presented in the above schedule.

Selinsgrove Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

Required Supplemental Information

	<u>2015</u>
District's proportion of the net pension liability	0.1313%
District's proportionate share of the net pension liability	\$ 53,474,000
District's covered-employee payroll	\$ 17,242,979
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310%
Plan fiduciary net position as a percentage of the total pension liability	57%

The District adopted GASB 68 on a prospective basis in 2015; therefore only one year is present in the above schedule.

Selinsgrove Area School District

Schedule of District Contributions - Last 10 Years

Required Supplemental Information

	<u>2015</u>
Contractually required contribution	\$ 3,622,331
Contributions in relation to the contractually required contribution	<u>3,622,331</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
District's covered - employee payroll	17,242,979
Contributions as a percentage of covered - employee payroll	21.01%

The District adopted GASB 68 on a prospective basis in 2015; therefore only one year is present in the above schedule.

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

THE ECONOMY

The trend in total employment rates in Snyder County, compared with the same rates for Pennsylvania and the United States, since 2001, is shown as follows:

Year	Snyder County			PA	U.S.
	Civilian Labor Force	Total Employment	Percent		
2001	18,700	18,100	3.4	4.5	5.4
2002	19,500	18,400	5.5	5.5	5.7
2003	18,500	17,800	4.0	4.7	5.4
2004	20,000	19,000	4.8	5.7	5.4
2005	19,900	19,000	4.4	4.7	4.9
2006	20,400	19,500	4.4	4.6	4.5
2007	19,900	18,900	5.0	4.3	4.8
2008	20,000	18,400	8.1	6.4	7.1
2009	19,500	17,700	9.1	8.5	9.7
2010	18,900	17,400	8.1	8.1	9.1
2011	19,200	17,800	7.5	7.2	8.3
2012	20,000	18,400	8.0	7.9	7.6
2013	19,500	18,300	6.3	6.2	6.5
2014	18,600	17,400	5.1	5.4	5.8
2015	20,200	19,400	4.3	5.1	5.0

Source: Center for Workforce Information and Analysis, PA Department of Labor and Industry

SELINSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Largest Employers in or near the School District

<u>Company</u>	<u>Business</u>
Wood-Mode Inc.	Manufactures kitchen cabinets
PA State Government	Government
Conestoga Wood Specialties	Hardwood lumber
Susquehanna University	Educational Services
Selinsgrove Area School District	Public Education
Midd-West School District	Public Education
Apex Homes Inc.	Manufacturer of modular homes
Wal-Mart Association, Inc.	Retail Trade
Professional Building Systems	Manufacturer of modular homes
National Beef Packaging Company	Wholesale Trade
Weis Markets, Inc.	Retail trade-food services
Snyder County	Government
Lowe's Home Centers, Inc.	Retail trade – professional services

Source: School District Officials

SELINSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

TAX REVENUES OF THE SCHOOL DISTRICT

Market and Assessed Values of Real Property

Market values of real property in the School District, as reported by the Pennsylvania State Tax Equalization Board, are listed below.

<u>Year</u>	<u>Current Market Value</u>	<u>Assessed Valuation</u>	<u>Ratio</u>
2000	733,837,500	172,164,930	23.46
2001	752,451,600	175,490,760	23.32
2002	772,510,400	170,880,670	22.12
2003	784,330,200	172,936,100	22.05
2004	830,670,100	174,823,860	21.05
2005	851,404,400	178,642,920	20.98
2006	919,625,200	181,930,890	19.78
2007	969,490,800	243,204,250	25.09
2008	1,112,979,600	246,650,960	22.16
2009	1,110,100,900	256,296,540	23.09
2010	1,167,883,179	259,335,440	22.21
2011	1,180,839,514	256,938,410	21.79
2012	1,249,532,368	258,023,600	20.65
2013	1,247,008,404	258,671,754	20.74
2014	1,316,720,980	261,552,610	19.86

Source: Pennsylvania State Tax Equalization Board and District Administration

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Ten Largest Taxpayers in the School District

The ten largest real estate taxpayers in the School District and their 2014-15 assessed valuation of their real estate are as follows:

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Value</u>
Susquehanna Valley Mall	Retail	\$11,778,890
PR Monroe Limited Partnership	Retail	6,566,080
Savidge	Rentals	2,716,260
Wal-Mart Real Estate Business	Retail	1,994,200
RE Selinsgrove, LLC	Nursing Home/Apartments	1,864,890
Target Corporation	Retail	1,710,000
Weis Markets	Retail	1,282,490
Lowe's Home Centers Inc.	Retail	1,176,890
Plaza Shopping Center	Retail	1,117,870
Orchard Hills Shopping	Retail	<u>1,010,950</u>
 TOTAL		 \$31,218,520

Source: Snyder County Assessment Office

SELINSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Tax Collection Record

The School District mails tax notices to taxpayers on or about August 1 of each year. The tax collection process of the School District allows taxpayers remitting in full prior to September 15 of each year a 2% discount on their tax obligations. Remittances between September 30 and November 30 are paid at par and taxpayers remitting after December 1st pay a 10% penalty. After January 31, all unpaid real estate taxes are turned over to the Snyder County for collection.

The School District's realty tax collection record is shown below:

<u>Fiscal Year</u>	<u>Total Gross Billing</u>	<u>Current Year Collections</u>	<u>Current Year Collections as a Percent of Total Gross Billing</u>	<u>Current Plus Delinquent Collections</u>	<u>Collections as Percent of Total Gross Billing</u>
2001-02	7,901,374	7,543,213	95.5	8,411,802	106.5
2002-03	8,414,950	7,991,310	95.0	8,420,386	100.1
2003-04	9,513,739	8,960,196	94.2	9,483,190	99.7
2004-05	10,278,805	9,670,973	94.1	10,138,039	98.6
2005-06	10,959,233	10,362,893	94.6	10,922,729	99.7
2006-07	11,461,646	10,815,193	94.4	11,476,031	100.1
2007-08	12,219,242	11,587,955	94.8	12,152,992	99.5
2008-09	13,033,037	12,570,521	96.5	13,107,716	100.6
2009-10	14,067,527	13,504,081	96.0	14,023,746	99.7
2010-11	14,828,800	13,885,594	93.7	14,524,669	98.0
2011-12	15,213,011	14,578,625	95.9	15,068,444	99.1
2012-13	15,553,243	14,966,263	96.3	15,526,439	99.9
2013-14	15,890,660	15,184,637	95.6	15,846,111	99.8
2014-15	16,465,923	15,702,261	95.4	16,267,190	98.8

Note: Beginning in Fiscal year 2008-09 amounts include property tax relief money from state gambling monies.

Source: School District Officials

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
OTHER SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Pupil Enrollment Historical and Projected

The following Table presents recent trends in school enrollment and projections of enrollment for over the next two years, as prepared by School District officials.

<u>School Year</u>	<u>Total</u>
2001-02	2,934
2002-03	2,920
2003-04	2,890
2004-05	2,850
2005-06	2,780
2006-07	2,762
2007-08	2,704
2008-09	2,726
2009-10	2,677
2010-11	2,672
2011-12	2,764
2012-13	2,753
2013-14	2,709
2014-15	2,674
2015-16	2,717
2016-17 (1)	2,734

(1) Projected

Source: School District Officials

District Employment

<u>Employee Type</u>	<u>2013-14</u>	<u>2014-15</u>	<u>Variance</u>
Professional Staff	186.5	185	-1.5
Administrative Staff	11.5	11.5	0
Support Staff	126	125	-1
Total Staff	324	321.5	-2.5

Source: School District Officials

SELINGROVE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2014	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2015
<u>U.S. DEPARTMENT OF EDUCATION</u>										
Passed Through State Department of Education:										
NCLB Title I	(I)	84.010	013-130377	715,886	7-1-12 / 9-30-13	-	17,676	(17,676)	-	-
NCLB Title I	(I)	84.010	013-140377	638,158	7-1-13 / 9-30-14	125,270	99,738	25,532	25,532 *	-
NCLB Title I	(I)	84.010	013-150377	609,058	7-1-14 / 9-30-15	568,454	-	623,401	623,401 *	54,947
NCLB Title III	(I)	84.365	010-130377	10,320	7-1-12 / 9-30-14	6,519	945	5,574	5,574	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-130377	147,223	7-1-11 / 9-30-14	-	562	(562)	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-140377	140,043	7-1-12 / 9-30-13	46,529	(35,815)	82,344	82,344 *	-
NCLB Title II Part A Improving Teacher Quality	(I)	85.367	020-150377	140,293	7-1-14 / 9-30-15	112,234	-	92,289	92,289 *	-
Perkins - Secondary	(I)	84.048	380-150089	17,000	7-1-14 / 6-30-15	13,909	-	17,000	17,000	3,091
Keystones to Opportunities - Striving Readers Grant	(I)	84.371	143-130377	711,644	10-1-13 / 9-30-14	177,911	(36,302)	214,213	214,213 *	-
Keystones to Opportunities - Striving Readers Grant	(I)	84.371	143-140377	672,618	10-1-14 / 9-30-15	392,361	-	418,067	418,067 *	25,706
Total State Department of Education				3,802,243		1,443,187	46,804	1,460,182	1,478,420	83,744
Passed Through Central Susquehanna Intermediate Unit										
Special Education-Grants to States:										
IDEA B	(I)	84.027	N/A	309,130	7-1-13 / 6-30-14	159,784	159,784	-	-	-
IDEA B	(I)	84.027	N/A	309,130	7-1-13 / 6-30-14	162,222	-	330,997	330,997	168,775
IDEA 619	(I)	84.173	N/A	5,681	7-1-13 / 6-30-14	5,681	5,681	-	-	-
IDEA 619	(I)	84.173	N/A	1,090	7-1-13 / 6-30-14	-	-	1,090	1,090	1,090
Total Cental Susquehanna Intermediate Unit				625,031		327,687	165,465	332,087	332,087	169,865
TOTAL DEPARTMENT OF EDUCATION				4,427,274		1,770,874	212,269	1,792,269	1,810,507	253,609
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>										
Passed Through State Department of Transportation:										
Highway Planning and Construction-Federal Safe Routes to Schools	(I)	20.205	33354	794,535	NONE	-	10,223	-	-	10,223
TOTAL DEPARTMENT OF TRANSPORTATION				794,535		-	10,223	-	-	10,223
<u>U.S. DEPARTMENT OF AGRICULTURE</u>										
Passed Through State Department of Education:										
National School Lunch	(I)	10.555	1-29-54-080-3	465,498	7-1-14 / 6-30-15	465,498	-	465,498	465,498	-
National School Lunch	(S)	N/A	1-29-54-080-3	37,370	7-1-14 / 6-30-15	35,134	-	35,134	35,134	-
School Breakfast	(I)	10.553	1-29-54-080-3	61,095	7-1-14 / 6-30-15	60,459	-	60,459	60,459	-
School Breakfast	(S)	N/A	1-29-54-080-3	4,368	7-1-14 / 6-30-15	3,845	-	3,845	3,845	-
Summer Food	(I)	10.559	1-29-54-080-3	3,061	7-1-14 / 6-30-15	3,061	-	3,061	3,061	-
Total State Department of Education				571,392		567,997	-	567,997	567,997	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:										
National School Lunch Program	(I)	10.555	1-29-54-080-3	N/A	7-1-14 / 6-30-15	(A) 50,084	(B) (2,282)	50,751	(C) 50,751	(D) (1,615)
TOTAL DEPARTMENT OF AGRICULTURE				571,392		618,081	(2,282)	618,748	618,748	(1,615)
LESS: STATE FUNDS				41,738		38,979	-	38,979	38,979	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 5,751,463		\$ 2,349,976	\$ 220,210	\$ 2,372,038	\$ 2,390,276	\$ 262,217

Source Code Legend:

(I) Indicates indirect funding
(S) Indicates State matching funding.

Other Code Legend:

(A) Indicates total commodities received.
(B) Indicates beginning commodity inventory
(C) Indicates commodities used.
(D) Indicates ending commodity inventory

See notes to Schedule of Expenditures of Federal Awards
which are an integral part of this statement.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE 1: REPORTING ENTITY

Selinsgrove Area School District (the "School District") is the reporting entity for financial reporting purposes as defined in Note 1A to the School District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the School District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the School District and is presented using the accrual basis of accounting, which is described in Note 1C to the School District's basic financial statements.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2014 threshold for determining Type A and Type B programs is \$300,000.

The following low-risk Type-A Programs were not audited as major:

Special Education Cluster (IDEA)	CFDA # 84.027/84.173
Child Nutrition Cluster	CFDA# 10.553/10.555/10.559

The following high-risk Type-B program was audited as major:

Improving Teacher Quality State Grants CFDA# 84.367

The amount expended under programs audited as major federal programs for the year ended June 30, 2015, totaled \$1,455,846 or 60.9% of total federal awards expended.

SELINGSGROVE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

NOTE 4: CLUSTER PROGRAMS

The following CFDA's have been deemed a cluster programs by the Office of Management and Budget, and therefore are treated as one program in determining the major programs to be audited:

<u>Child Nutrition Cluster</u>		<u>Special Education Cluster</u>	
<u>CFDA #</u>	<u>Expenditures</u>	<u>CFDA #</u>	<u>Expenditures</u>
10.553	\$ 60,459	84.027	\$ 330,997
10.555	516,249	84.173	1,090
10.559	3,061		
Total	<u>\$ 579,769</u>	Total	<u>\$ 332,087</u>

Zelenkofske Axelrod LLC

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

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Selinsgrove Area School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 1, 2016.

Internal Control Over Financial Reporting

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

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

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

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Greensburg

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Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District

Compliance and Other Matters

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

Purpose of this Report

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, PA
February 1, 2016

Zelenkofske Axelrod LLC

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

Board of School Directors
Selinsgrove Area School District
Selinsgrove, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the 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.

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Zelenkofske Axelrod LLC

Board of School Directors
Selinsgrove Area School District

Report on Internal Control Over Compliance

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

Zelenkofske Axelrod LLC

Zelenkofske Axelrod LLC

Harrisburg, Pennsylvania
February 1, 2016

SELINSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
____ yes X none reported

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
84.371	Striving Readers

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

Auditee qualified as low-risk auditee? ____ yes X no

SELINGSGROVE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

SELINGROVE AREA SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			